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Marketing for a Small Business in Alberta

Number Three of a Series

Alberta

TOURISM AND
SMALL BUSINESS

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Marketing for a Small Business in Alberta

Marketing, as defined by the American Marketing Association, is "the performance of business activities that direct the flow of goods and services from producer to consumer or user."

Marketing is not a new concept. Various aspects of marketing have been practised since the earliest days of man. But changes have occurred! Perhaps the most noteworthy is the recent change of emphasis from product to customer. Several years ago the product was everything. Witness Henry Ford in his early production of cars — you could have any color you wanted as long as it was black.

Today's marketing devotes its attention to the needs of the customer. By finding out what the customer needs and wants, a company can then build the product or service to match those needs. The differences may appear slight, but they have revolutionized some businesses.

Large companies have staff marketing specialists to call upon, or they can afford to hire consultants to advise them. The small businessman is often left to his own devices, not knowing what steps to take to form a marketing plan, and not able to afford outside consultants. This book provides some guidelines on the development of a plan; it outlines some of the questions which every businessman should ask himself. There are many excellent books available on the subject of marketing, which provide a more in-depth look at this important subject.

"Marketing for a Small Business in Alberta" is one of a series of booklets published by Tourism and Small Business. Other booklets that may be useful are:

- Starting a Business in Alberta
- Financing a Business in Alberta
- Operating a Small Retail Business in Alberta
- Operating a Small Manufacturing Business in Alberta
- Operating a Small Service Business in Alberta
- Selecting a Small Business Computer System in Alberta
- Bookkeeping for a Small Business in Alberta
- Operating a Small Construction Business in Alberta
- Small Business Tips

These publications are available at all Tourism and Small Business offices listed in the back of this publication.

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Introduction — The Importance of Marketing

Every business needs customers in order to succeed. Your customers are your market — which is where we get the word marketing. Marketing means understanding your customers and their needs. The marketing approach has many advantages for all types of businesses. Understanding your customers better can help you to:

- cope with change and competition
- keep old customers, and attract new ones
- determine your business potential
- successfully introduce a new product, service or store
- increase efficiency and profits

Marketing is the smart way to do business because it pulls all the different parts of your business together. Through marketing, everything in your business contributes to the same goals, customer satisfaction and profits.

COPING WITH CHANGE AND COMPETITION

Changes often occur which cause people to stop buying from some businesses and start buying from others. A change can occur in any number of factors such as:

- the economy
- population size and make-up
- people's tastes, preferences and attitudes
- new products, services and stores
- number of available choices and competitors.

This can influence what and where people will buy. The purpose of marketing is to find out about the changes that will affect your business. Marketing helps you to cope with change, and profit from these results.

NEW BUSINESSES AND EXPANDING BUSINESSES

When starting a new business or expanding an existing business, you will need to know:

- how many people need your product or service
- how many potential customers you have and what they are like
- how you can persuade them to buy from you
- who your competitors will be

Finding information about your markets, and using this information to make the best business decisions, is what marketing is all about.

EFFICIENCY AND PROFITS

Trying to be all things to all people is an inefficient way to do business. Concentrating on what you do best leads to a stronger business. By making every decision a marketing decision, increased profits and efficiency can be achieved. Inefficiency and waste can be reduced by gearing decisions to consumer demand. Factors to consider are:

- what products or services should be offered
- production levels
- inventory levels

- buying merchandise or materials
- customer credit
- hiring

"Sell what we can make" should become "make what we can sell."

Marketing means understanding your customers. All businesses are marketing organizations and business decisions should be based on meeting the customer's needs because all businesses need customers. This handbook explains the basis of marketing for small businesses. It shows how a marketing plan can be developed for your business.

Chapter One
Business Planning

THE PLANNING PROCESS

Each of the three different business types: retail, service and manufacturing will require somewhat different approaches to marketing. However, there are many aspects of marketing which any business should be aware of and follow. Probably, not all of the subjects discussed in this handbook are applicable to your business. You are the best judge of what is relevant to your situation.

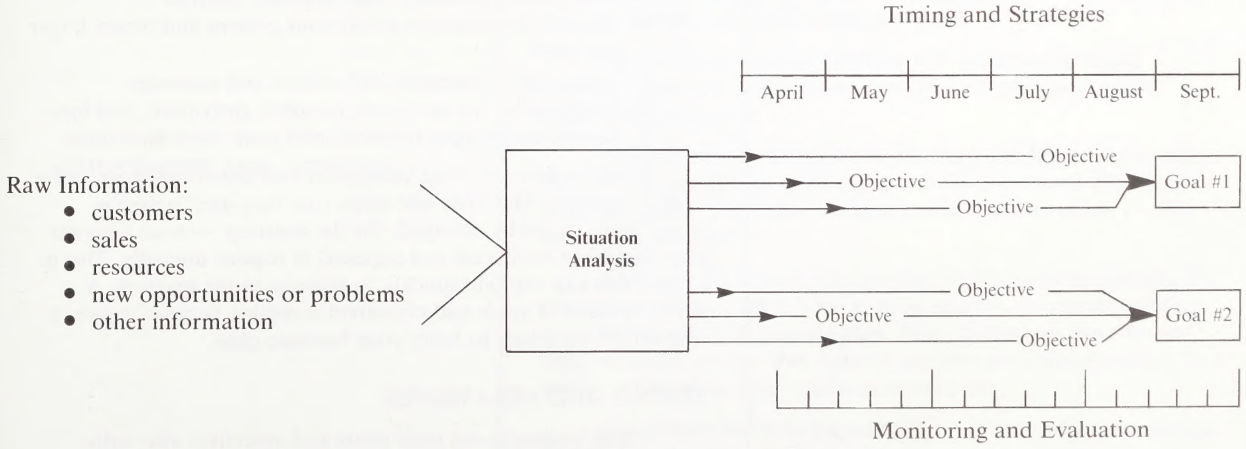
Planning is an important business tool. It helps to isolate problems and find new opportunities. Planning should include all parts of your company. It is your business blueprint, showing how everything fits together.

Business planning helps to:

- focus on what business you are in, and get a firm grasp on what needs to be done
- know how you are seen by your customers, and how your business fits into the local business community
- maintain personal control over all parts of your business
- save on operating costs (a business plan can contribute to better efficiency)
- anticipate problems and opportunities (planning ahead gives more time to deal with the unexpected)
- make better business decisions
- monitor results and evaluate decisions, using facts instead of guesswork
- concentrate on what you do best, rather than trying to be all things to all people.

Planning should be systematic and emphasize timing and strategy. Here is a general planning approach used by some Alberta businesses — your exact approach will depend on your business situation.

The Planning Process



SITUATION ANALYSIS: DEFINING YOUR BUSINESS

Situation analysis means taking a hard look at your business. A firm grasp on the existing situation is needed before you can set realistic goals and objectives. Situation analysis should include a review of:

- business resources, properties, inventories
- cash flow, assets, and liabilities
- products or services you are selling
- sales results
- your customers, and how they have changed recently
- company image
- advertising and promotional effectiveness
- sales force effectiveness
- the business environment in your area, and potential opportunities
- competitors' actions
- problems encountered recently

This information will help you to see where your business stands right now, and will point to possible goals and objectives in the future.

GOALS, OBJECTIVES: DIRECTIONS FOR YOUR BUSINESS

Goals are the larger, long-term results that you want to achieve. For example, one important goal could be to open a new branch store, factory, or office.

Objectives are the smaller steps along the way which are needed to achieve your goals. Using the same example above objectives would include finding a location, finding money to finance expansion, and finding new personnel to staff your new premises.

Goals and objectives should be based on:

- information obtained from situation analysis
- accurate information about your present and future target markets*
- knowledge of competitors' actions and successes
- forecasts for the economy; national, provincial, and local
- knowledge of your business, and your other ambitions

It makes sense to write your goals and objectives down in an orderly manner. This does not mean that they are "etched in stone" and cannot be changed. On the contrary — your business plan should be evaluated and adjusted at regular intervals. This is so that you can respond quickly to changes in the markets. A written record of goals and objectives is needed because it gives a framework on which to build your business plan.

TIMING AND STRATEGIES

When writing down your goals and objectives also write down when each one should be accomplished. Having a date to work towards is a good incentive. Timing for most business plans is based on the calendar year — but this is just a guideline. Some major corporations have been known to plan many years in

*See the section on Target Markets, page 8.

advance. On the other hand, for many small businesses, certain times of the year are more important than others. In these cases a seasonal timing plan makes more sense. The timing of your plan will depend on the nature of your business.

Strategy is the action you need to take. Developing a strategy means deciding exactly how your goals are to be achieved. Timing and strategy should be very closely linked.

MONITORING AND EVALUATION: "YES, I AM ON THE RIGHT TRACK!"

This last phase of the planning process acts as a safeguard, to ensure that your plan is working. Control procedures should be built right into you plan — time should be set aside at regular intervals, to allow for proper evaluation of results.

Monitoring is day-to-day checking on how your business is doing. It will include looking at:

- sales records
- customer response and volume
- cash flow and stock turnover

and should be tied directly to the bookkeeping and accounting procedures. They are the main source of accurate information about your business.

Evaluation is a more in-depth examination of business health. It is based on information obtained through monitoring, and from other sources. Evaluation requires a hard, objective look at your business results on a regular basis (monthly or quarterly):

- are sales adequate?
- am I meeting customers' needs; have these needs changed?
- what can be done better?
- am I meeting my goals and objectives?
- should I revise my business plan?

Evaluation at regular intervals will allow you to make necessary adjustments to those parts of your company which require improvement.

ADJUSTMENT AND OPTIONS

Adjustment is nearly always necessary for business planning. Few people can design and execute a perfect business plan, first time every time. So don't be afraid to change your plans — they are only guidelines.

Although it's a good idea to plan with a positive attitude, it's also a good idea to have a back up strategy — in case something goes wrong with the original plan. Many businesses have several options ready, in case they cannot use their preferred strategy. This makes adjustment much easier and smoother.

One Edmonton printing company, for example, keeps an up-to-date list of paper suppliers, ranked in order of preference. These suppliers all carry a large variety of special paper stocks needed for expensive printing jobs. When the printing company is planning a job, they go down their list until a supplier is found who can

guarantee delivery of the required paper. This option planning enables the printing company to fulfill contracts despite supply shortages, which are common in the paper industry.

Options can help you if your evaluation says that you are not on the right track. Having options makes adjustments much simpler, and less disruptive. For example, you can avoid losing customers, which may happen if you are forced to make severe changes to your business. Having options also allows you to respond quickly to changing market conditions and customer needs.

Chapter Two
The Marketing Plan

Marketing objectives will often determine the goals of your overall business. Since marketing includes all those parts of a business which deal with meeting customers' needs, the marketing plan is the "leading edge" of your business plan.

The marketing plan must fit together with the other parts of your business, such as:

- bookkeeping and accounting
- buying decisions
- production and distribution decisions (if you're a manufacturer)
- special service offering
- personnel and staffing decisions
- other operational decisions

To get the best results, market planning and overall business planning should be done at the same time. Much of the information you need to set business goals and objectives will come from these marketing components:

- market research (what and how much can I sell?)
- target market segmentation (to whom?)
- positioning (how can I be better than my competitors?)
- product or service offerings (what will best satisfy my customers' needs?)
- pricing (how much should I charge?)
- location of store, plant, or office (which location gives me the best access to my customers, suppliers, or both?)
- distribution methods (how can I get my product to my customers?)

Other decisions on marketing objectives include:

- production levels (how much should we make?)
- inventories (which products should we stock, how much of each?)
- personnel (how many production or sales people will we need?)
- financing (it's easier to get new capital from lenders if you can show them that you have good marketing skills and well defined markets)

Therefore, the marketing plan will form the backbone of your business planning. The general planning guideline* can also be used in developing your marketing plan.

*See the section on Planning Process page 3.

Chapter Three
The Marketing Components

TARGET MARKETS — DEFINING YOUR CUSTOMERS

"Target market" is a technical term which means "your customers" — those groups of people who buy your products or services or who patronize your store. The important word in this definition is group.

The target market approach is based on this reasoning:

1. that your markets are targets which you must hit with advertising, promotions, and personal selling;
2. that you have to know what the target is before you can hit it;
3. that your markets are distinct groups of people;
4. that it is possible to discover who these groups are, and to precisely define the features they have in common.

Your customers are not the whole population, because no business can be all things to all people. Similarly, your customer is not the "average consumer" — averages do not exist. No one has ever sold an "average product" or an "average service".

Your customers will be groups of people (or businesses) who have something in common. Here are some of the many possible features that people or businesses might share:

Business Markets

- Type of business
- Size
- Owner operated, or part of a chain?
- Which markets do your business target markets themselves serve?
- What changes are foreseeable due to: taxation? new technology?
- What are the goals and objectives of the businesses I sell to?

Consumer Markets

- Age, sex, family status of consumers
- Religion, ethnic origin
- Occupation, income level
- Education level
- Lifestyle: What do customers do for recreation? What are their political and other attitudes? What is their social status? What is their opinion and image of themselves? Who are their friends? What other products or services do they buy?

All Markets

- Geographic location: National? Province-wide? In certain towns only? Certain parts of one city? Rural — farms or residences?
- Buying patterns: When are purchases made?
- Is the buyer the same as the user? Who makes the buying decision: One person? A group of people?
- Which people use my business most? Least? Which people are big repeat customers?
- What do people want from my product, service, or store? What different benefits are sought by different groups?

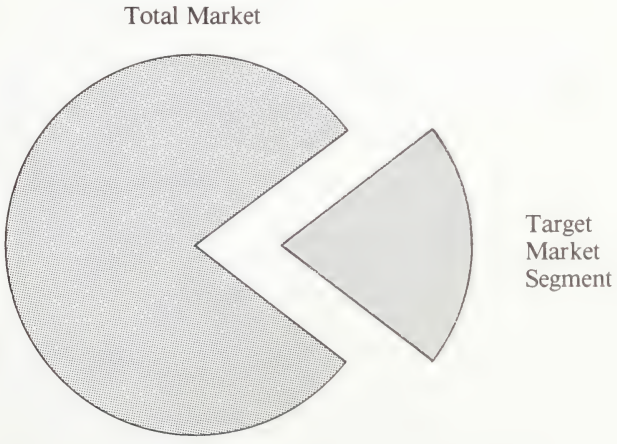
Target markets can be viewed in many different ways, depending on the nature of your own business. Some of the previous groupings will be important, some may not. Let's look at some examples:

1. Lethbridge Convenience Store: In the case of this business, the market is primarily geographic. The thing that most of the store's customers have in common is that they live near the store.
2. Calgary Custom Furniture Builder: This business does design, manufacture and retail sales of custom furniture. The market will be partly geographic and partly income-oriented: only upper-income people will be able to afford the product, and they will tend to live in certain upper-income areas of the city.
3. Edmonton Safety Clothing Manufacturer: This business makes special safety clothes, such as fire proof suits. Therefore, the market will be certain types of organizations (like fire departments), whose employees must use this type of clothing. More of these organizations will probably be found in the larger communities, than in others.

In each of these cases, it would be necessary to take a closer look and further define the markets of each business because there will be many other businesses who are after the same general market. One purpose of target marketing is to find a market that is underserviced, and reduce the number of businesses you must compete against.

To gain a competitive edge, there are three basic target market options:

1. Market Segmentation

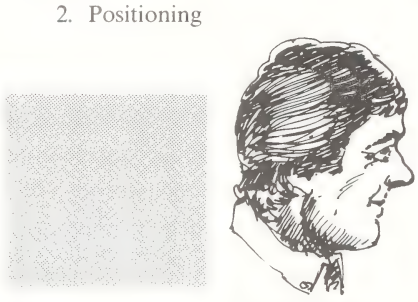


Find those parts or segments of a large market which you can serve better than your competitors, due to your special expertise or your special business situation. For example, the Lethbridge convenience store owner notices that her neighborhood seems to have:

- a large Italian ethnic community
- a large number of university students

Already, she has segmented her market into two smaller groups. The owner can now offer special products in her store that will appeal to either, and possibly both, of these groups of people. She has gained a competitive edge over other convenience stores in the neighborhood.

2. Positioning



Your Competitors | Target Market Customer | Your Business

Position your business or your product in the minds of customers, so that they believe you are different from and better than your competitors. Your target markets will see you offering something that they cannot get elsewhere. Positioning is usually done through advertising, promotion and other persuasion methods — but first isolate your target market segments. For example, the Calgary custom furniture manufacturer realizes that he is competing directly against the large department stores for the upper-income customer. He has little chance going head-on against their massive marketing budgets. So he decides to segment his market by going after only those people who are strongly attracted to custom-designed products. He feels that this group of people will:

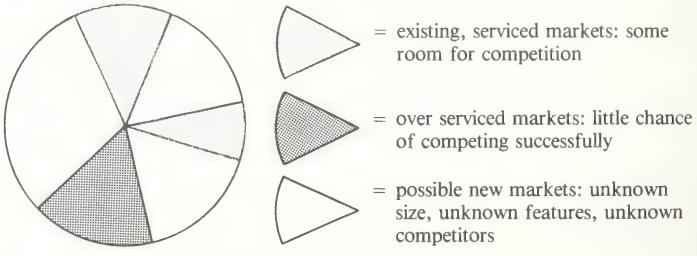
- be strong individualists
- have a high self-image
- possibly be artistically inclined

Therefore, he directs his advertising and his whole business concept at this segment of the upper-income market. As part of this concept, he also decides to offer a personalized interior design service, to complement his furniture sales.

He can now avoid competing head-on against stronger competition by offering a uniquely positioned product and service.

3. Creating New Markets

Total Potential Market


= existing, serviced markets: some room for competition
= over serviced markets: little chance of competing successfully
= possible new markets: unknown size, unknown features, unknown competitors

Creating new markets by introducing new products and services is perhaps the most ambitious option. Finding new markets is more difficult and risky than building on existing markets. However, if your product, service, or store meets an unfulfilled need, and if you can target in on the right customers, then the rewards can be great. Creating new markets should rely heavily on market research to estimate their size and nature. For example, the Edmonton safety clothing manufacturer has been selling all his products directly to organizations and companies who provide the clothing to their employees. During a sales call he finds out that most oil and gas companies require their employees to purchase their own clothing. Therefore, he feels that there may be a large new market for his products — individuals who work in the oil and gas fields.

By doing some market research, the manufacturer can find out how large this new market is by:

- finding out how many companies do not provide clothing
- how many employees they have
- where these employees currently buy work and safety clothing

Then he can determine whether or not he can profitably serve this potential new target market.

Determining whom your target markets are, what their needs are and how to appeal to them is the basis of marketing.

The other parts of the marketing component are:

- product, service, or store
- location
- distribution (for manufacturer)
- pricing
- layout and display (for retailers)
- communication
- personal selling

These are then geared to profitably satisfying your target market customers. Therefore, information about your target markets will be very important in developing the marketing plan. This information is found through market research.

MARKET RESEARCH — FINDING THE INFORMATION

Market research is a way to understand your customers — who they are, and how they might change in the future. Many businessmen will say, "But I already know who my customers are." You probably have a general idea whom you're selling to, based on a "gut feeling" for your business and past experience. But in order to cope with the rapid changes which Alberta is going through, you will need to know more about your customers. People change in many ways:

- 60% of the population moves at least once every five years
- they change jobs
- their income goes up or down
- they have families
- their attitudes change
- their needs and tastes change

Similar things happen to businesses and other organizations, and to entire communities. Recently, how many of us would have guessed that Fort McMurray's population would have increased so

much and that a large percentage of the newcomers would be Newfoundlanders? The businesses in Fort McMurray are certainly affected by these changes.

BASIC MARKETING RESEARCH STRUCTURE

Step 1. Define what you want to find out: set research objectives

Step 2. Decide on timing and budget for research

Step 3. Select appropriate information sources and methods

Step 4. Gather raw information

Step 5. Analyze information

Step 6. Make conclusions

Step 1. Research Objectives

Just as your other business activities should be planned, so should market research. It can have several objectives:

- find out why sales are down
- identify target markets: which groups of people or businesses are your customers
- identify customer needs and tastes
- find new opportunities and new markets
- estimate the size of markets

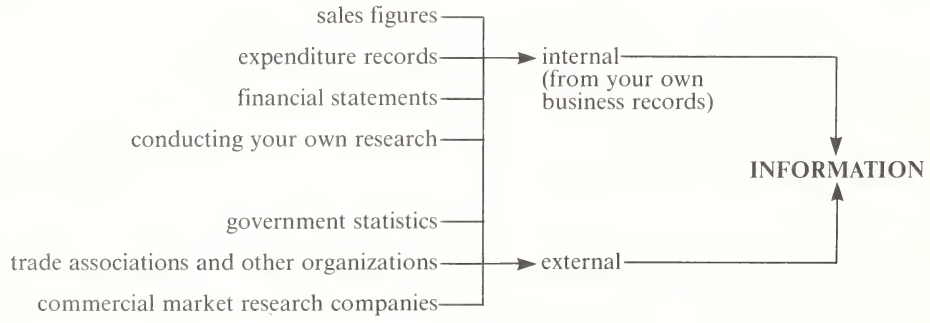
Before you set out to do market research, objectives should be determined. That's Step 1 in systematic market research.

Step 2. Budgets and Timing

These will depend on your resources and your market research objectives. Many companies set aside a certain percentage of their budget each year for market research. Research is usually done before any major marketing decisions are made, or after a campaign is over, to test results.

Step 3. Selecting Sources

Market research information can be obtained from many sources*:



*There is an Appendix on Market Research Sources on page 55 of this handbook.

Step 4. Gathering Information

Several different methods can be used to find the answers you want:

- pure statistics (from government and other organizations)
- historical (company records, past industry performance)
- surveys and questionnaires
- experiments
- personal observations.

The importance of each source and method to a business will depend on its market research objectives. Each source and method has its own advantages and disadvantages depending on what you're trying to find out. Using several options will usually give you the most complete picture.

Step 5 and 6: Analysis and Conclusions

When analyzing information be on guard against making logical but misleading conclusions. For example, a man heard that over 80% of all traffic accidents occur within 5 blocks of the victim's home. His conclusion? He decided to move. Market research information is often used in the wrong way like this. Information should be compared to find contradictions and avoid misleading conclusions. Conclusions should be made in terms of the objectives of your research program.

Although it is often based on statistics, market research is really the study of people. Statistics never have desires or needs, and they never buy anything. Statistics are used as a source of information, and as a method of measurement, for the purpose of learning more about people, their motives, and their actions. Market research is the systematic search for answers to what, why, when, and where people buy.

SURVEYS AND RANDOM SAMPLES

Sometimes the information you need cannot be easily obtained (publications, statistics, etc.). Surveys can help you find answers to questions that perhaps only you want answered. Usually, surveys are directed right at the people you want to find out about — your target markets. You can ask your customers for information about themselves, and what you can do to meet their needs. Unfortunately, if you have thousands of potential customers, you cannot question every one of them. The random sample can help you to overcome this difficulty.

Random sampling is based on the fact that the features of an entire group of people will also show up in individual members of that group. Therefore, by asking a number of people, it's possible to find out what all of them want, think, or do. Responses will vary of course, depending on individual personalities — but you can get an average response which may be true of the entire group.

The size of your sample will depend on the total size of the group. Sample size is usually expressed as a percentage of the group's size. In general, for smaller groups, a larger sample percentage is needed to get a true average.

Your sample should be chosen at random from the group you are studying. Chance should determine which people you question, such as surveying every tenth customer. If you use a method other than chance, for example, if you select only the best-looking, or the smartest-looking people, your results will not be true of the entire group. Any decisions you make will be based on false information.

Surveys are random samples done by speaking to people directly, either in person or over the phone, or by using a questionnaire. Using an interview approach, the surveyor asks questions and writes down answers. Surveys can be done door-to-door, at your store, or anywhere that your target market groups are found.

Questionnaires can be mailed or handed out to customers. Questionnaires will ask basically the same questions as in a survey, but require the respondent to write down his own answers and return the questionnaire form. A 12% return of questionnaires is considered good.

Surveys and questionnaires are important market research tools. You can design and use them yourself, or pay a market research company to do it for you. The information you obtain should be checked with other market research information for possible errors or contradictions. Surveys may indicate a totally opposite conclusion from the other information you have gathered. Further research may be necessary to obtain the most accurate description of your markets.

EXAMPLE OF A MARKET RESEARCH STUDY

As previously discussed, the owner of the Edmonton safety clothing manufacturer believes he has found a new target market: people who work in the oil and gas industry, in the field, must provide their own work and safety clothing.

OBJECTIVES

To determine whether or not it will be profitable to serve this market, the owner sets these market research objectives:

1. Find out the total number of field and production workers in the oil and gas industry.
2. Determine the number who buy their own work and safety clothing as opposed to those who are supplied by their company.
3. Find out what types of clothing these target market customers prefer, at what price they will buy, and where they currently buy clothing.
4. Find out how many other companies will be competing for this market.

TIMING AND BUDGET

The owner must set his yearly production schedule within two months. Therefore, his market research must be completed before then. If he decides to go after this new target market, production will have to be increased.

The owner decides to do all market research himself. Therefore, his research budget will be based on the value of his time, plus the cost of producing and distributing questionnaires.

SOURCES AND METHODS

To determine the number of workers the owner talked to people at Statistics Canada and decided to use their publication, "The Crude Petroleum and Natural Gas Industry" as his source of information. Although this source is a few years old, he feels it is the most recent and accessible source, and that the figures will be approximately the same today.

Payroll, Employment and Hours, 1983

Alberta	Male Hommes	Female Femmes	Total	Salaries and wages Traitements et salaires
Production, field, plant and related operations Production, champ, usine et opérations connexes				
Field, plant and related employees - Ouvriers aux champs, à l'usine et travailleurs assimilés	8,048	112	**8,160***	278,864
Employment, salaries and wages - Total Effectifs, traitements et salaires	24,106	9,312	33,418	1,241,055
	Male - Hommes			Female - Femmes
* Target Market Size	number - nombre			

The owner concludes that approximately 8,160 people are employed in oil and gas fieldwork and production — this is his target market.

The owner discovers that there is no readily available source of information giving the actual numbers of potential buyers and their safety clothing buying patterns. The owner feels that a questionnaire, directed at his target market, will be the best way to obtain the information. He decides that a 10% sample of his total target market will be enough to provide accurate information. He therefore prints 816 questionnaires.

To save on the cost of questionnaire distribution, he decides to send questionnaires to the oil and gas companies. It will be easier and cheaper to find names and addresses of companies than of individuals.

The questionnaires will be sent either to the personnel department of larger companies or owner-managers of smaller companies. An accompanying letter will ask these people to distribute the questionnaires to their employees, in the interests of meeting their employees' safety clothing needs.

The "Alberta Oil and Gas Directory" contains lists of companies involved in different aspects of the energy industry and gives information about individual companies, including number of employees. The owner uses the directory to get exploration company names and addresses. He randomly selects companies, totalling their number of employees, until the sample size is reached. He then sends the appropriate number of questionnaires to each company in his sample. The owner selected 25 companies each having between 10 and 50 employees from the Alberta Oil and Gas Directory to make up the sample size. An example of the questionnaire follows.

QUESTIONNAIRE USED BY THE EDMONTON CLOTHING COMPANY:

CLOTHING AND EQUIPMENT FOR THE ENERGY INDUSTRY

In the oilpatch, work must go on despite bad weather and dangerous conditions. Good safety and survival clothing is a must. We'd like to provide better work clothing for you, for your protection and comfort. Please help us by filling out and returning this short questionnaire.

1. What type of work do you do? What is your position title:
   _____
2. In what type of conditions could you use better work or survival clothing?
   ☐ Arctic temperatures ☐ Snow ☐ Wind ☐ Rain ☐ Mud
   ☐ Other _____
3. What type of work clothing do you use most? (rank from 1 to 9 with 1 being most used):
   ☐ Boots Type _____ ☐ Socks ☐ Gloves
   ☐ Coveralls Type _____
   ☐ Snowmobile suits ☐ Workshirts ☐ Vests ☐ Parkas
   ☐ Protective clothing Type _____
4. Which of the above have to be replaced must often? How often? _____
   _____
5. Which items could be improved, and in what ways? _____
   _____
6. Which items, if any, are supplied by your employer? _____
   _____
7. Approximately how much do you spend on work clothing?
   This year _____ Last year _____
8. Where do you usually buy work clothing? _____
9. Would you try a new brand, or a new improved type of clothing?
   Yes ☐ No ☐
   Which items? _____

Using the Alberta Oil and Gas Directory, the owner finds numerous companies listed under Safety and Survival Clothing and Equipment. By doing further research he can determine the size and scope of the competitors, realizing that there may be others not listed in the directory. He decides that only 11 companies are actual competitors. By comparing the number of competitors with the total number of potential customers he can determine his own approximate share of the market.

Total market = 8,160 people. Number of competitors = 11 companies. Therefore, Average Market Share: 100% ÷ 11 = 9%.
9% × 8,160 = 734 potential customers per company
(average market share)
Average Annual Clothing Budget (from questionnaire response) = $600. $600. × 734 = $440,000 estimated sales.

CONCLUSIONS

The owner can now compare the costs of production, distribution, and promotion with estimated sales, to decide whether or not the new market can be profitably served.

Based on questionnaire responses the owner can also make conclusions about the size, features and needs of this target market such as:

- which types of clothing seem to be in greatest demand
- which clothing products have the best chance of selling well
- where target market customers currently buy work and safety clothing products

SUMMARY

Usually after market research results have been looked at, a business will set marketing goals and objectives based on problems, trends, target markets, and new opportunities uncovered by market research. Now the businessman must make several big decisions regarding:

The businessman must decide what kind of role each of these components will play in his marketing strategy. The relative importance of each component will depend on the type of business.

PRODUCT, SERVICE AND STORE — DEFINING YOUR BUSINESS

The first big decision is to determine what business you are going to be in, whether you're just starting in business or planning to add new products or services to your existing business. This requires your own judgement, based on systematic market research and business planning. Here are some examples of how different Alberta businesses made decisions about their products, services or stores. They all demonstrate a flexible approach and a willingness to deal with change.

- Calgary Custom Furniture Store:

This business is aiming at the upper-income market. After doing market research, the owner concludes that there is a need for a personalized interior design service for homes in the city. He then changes his business concept, moving away from just making furniture, towards a complete interior design service. He feels that in the process of helping people to decorate their homes, he can also promote the purchase of his own products.

- Edmonton Safety Clothing Manufacturer

The owner of this business has been selling all his products directly to organizations and companies. Market research indicated that he might have a possible new target market — individuals who work in the oil and gas industry. He decides to develop a new product for this potential market segment — work suits designed for sub-arctic temperatures. He feels that these suits will have other non-work uses such as snowmobiling and hunting which will help sales and create a larger market.

- Red Deer Bedding Manufacturer

This company started out making shower curtains, with bedding (sheets, pillowcases, mattress covers) as a sideline. However, when waterbeds were first introduced, the owner saw a new marketing opportunity. He started making bedding aimed only at waterbed owners and is now one of the biggest Canadian manufacturers of these products.

- Fort McMurray TV Rental

Population growth due to new industry provided the spark for this businessman's idea. Through reading newspapers and attending meetings at the local Chamber of Commerce, the owner was well informed about new energy projects starting up in his community. The owner knew this would result in many new people moving to Fort McMurray. Simple market research told him that these people would have to set up homes fast and that many would only be staying on a short-term contract basis.

The owner's business was TV, stereo, and appliance sales. Based on his conclusions about upcoming changes in the market, he decided to specialize in TV rentals. This service would be ideally suited to a changing, fluid population. The owner's market is people who want TV but are unwilling to buy one because they are in town for an indefinite time.

Your product, service and retailing decisions will depend on your own business situation, and on market research results.

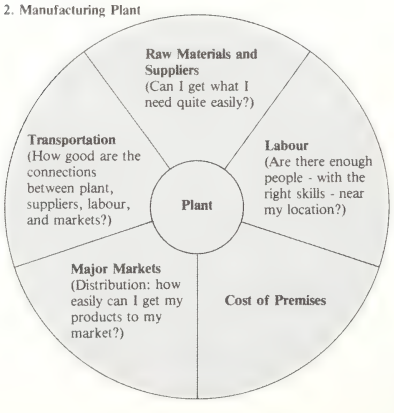
LOCATION — PUTTING YOUR BUSINESS WHERE THE PEOPLE ARE

SUMMARY - Where To Locate Your Business

1. Retail Store or Service Business

Volume
(How many customers will pass by my store?)
Accessibility
(Can customers get to my store easily -or can I get to them?)
Area Growth Potential and Municipal Services
(Will there be good future markets? Are services adequate?)
Cost of Premises
Other Businesses
(Are they competitors? or will they help bring in customers to my store?)
Type of Area
(Does my business fit in?)
Store or Office

2. Manufacturing Plant


Raw Materials and Suppliers
(Can I get what I need quite easily?)
Labour
(Are there enough people - with the right skills - near my location?)
Cost of Premises
Major Markets
(Distribution: how easily can I get my products to my market?)
Transportation
(How good are the connections between plant, suppliers, labour, and markets?)
Plant

If your business is firmly established in a location, you need only look at ways to make that location work even better and anticipate how changes will affect the location (new highways, shopping centres, population growth).

If you think that your location is a problem, or if you're looking to open up or expand, then location will be a more important business decision.

Location is more important to retailers than other business types. Much of a store's business will come from people who just happen to be walking or driving by. Also, if people are thinking about shopping at your store, their decision may hinge on how easily they can get to it. Therefore, traffic volume and accessibility are the two most important location factors. Other factors include:

- nature of surrounding area:
  is it complementary to your business?
- surrounding businesses:
  are they competitors?
- do they generate a lot of customer traffic, which will spin-off into your business?
- growth potential of the surrounding area, municipal services provided.

These are the marketing considerations of your retail location. There will be many other factors, including costs, in your location decision.*

Most of the above location factors will also apply to **service businesses,** but perhaps to a lesser degree. If your service requires you to visit customers in their homes and offices, then a central location is probably best — giving equal access to all parts of the market. To attract customers, advertising is usually more important than location for some service businesses.*

For **manufacturers,** location has a different meaning. The manufacturer must locate his plant where his operation will be most efficient. The manufacturing location should give easy access to:

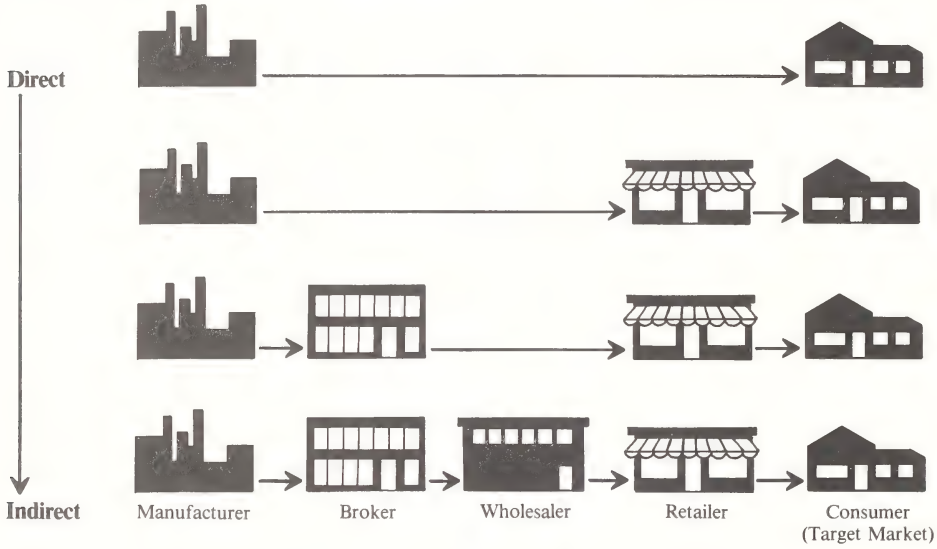
- suppliers (and raw materials)
- skilled labour
- transportation routes or terminals
- major markets.

The importance of each of these factors will depend on the individual manufacturer. In a marketing sense, location is tied closely to physical distribution: the impact of plant location on distribution methods should be considered. Can I get my products from my location to my markets?

*See other publications in this series on retail, service and manufacturing.

PHYSICAL DISTRIBUTION FOR MANUFACTURERS — GETTING YOUR PRODUCTS TO THE CUSTOMERS

Physical Distribution Channels



The retailer finds products to sell at his store, while the manufacturer must find places to sell his products. Therefore, physical distribution is very important to the manufacturer. He must find the most efficient way to get his products from his factory or plant to his target markets. The options are to sell directly to consumers (or businesses) who use your products, either at the factory or via direct mail marketing or to distribute your products indirectly, using:

- manufacturers' agents
- brokers
- wholesalers
- retailers

These middlemen are your physical distribution channels. They can help to reduce the overall costs and effort involved in physical distribution. Products can be sold to a few distributors, rather than to many final customers. Because they are familiar with the market situation in places you don't know, middlemen can also help your overall marketing effort.

Generally, if you have many different markets, or very large markets, or if the markets are spread out geographically (especially out-of-province or outside Canada) you may need many distribution channels. If there are only a few small markets, you may be able to distribute to them. For example:

- If you manufacture food products, you will not be able to ask every food store in Alberta to sell these products. You will benefit from using middlemen to get your products to the consumers most efficiently.
- If you manufacture specialized machine parts used only by a few large companies in Alberta, you can probably distribute the products directly to these customers.

The number of people or business in the target markets, and where they are, will determine the distribution channels.

Different agents, brokers, wholesalers, and retailers offer different levels of service and cost. For example some may do everything for you, from packaging to delivery, and will assume responsibilities for the entire marketing effort while others will accept only specific responsibilities. Some will also share advertising and promotion costs while others won't.

In some areas, and for some products, a limited choice of channels may exist. It is best to check out a number of options. More information on agents, brokers, and wholesalers can be obtained from some of the sources listed in Appendix I, "Market Research Sources."

If indirect channels are used to distribute your products, you may still be responsible for promotion and advertising. Therefore, it is important to tie advertising and promotion to distribution so that people will know how and where they can buy your product. All advertising should mention the stores where your product can be bought. Making product distribution a part of the total marketing effort may help reduce the overall costs. Working together, distribution, advertising, promotion, packaging* and personal selling will help to reach your target markets more efficiently.

Physical distribution is closely linked to packaging. Where your product is going will often determine the packaging requirements.

PRICING — DECIDING ON THE BEST PRICE FOR YOUR PRODUCT OR SERVICE

Pricing decisions are part of marketing strategy, because the prices charged for products, merchandise, or services will usually have a big effect on sales volume and on business image. These are the marketing considerations of pricing. But before pricing can be looked at from a marketing viewpoint, it must achieve one basic goal.

"Pricing Must Cover All Costs of Doing Business." This means that all expenses must be accounted for in the price of everything you sell. Each business type has different costs. For example:

MANUFACTURERS

- materials, supplies
- production
- packaging
- distribution

RETAILERS

- wholesale costs of merchandise
- cost of selling merchandise

SERVICES

- materials and supplies
- labor
- time
- equipment and other operating expenses

Some costs are common to all business types. For example, overhead (premises, rent, utilities); transportation, loans and mortgages, salaries, marketing costs (promotion, advertising, etc.).

A portion of each of these costs must be paid for by every unit or service which is sold. The price at which all costs have been accounted for, and profits begin to occur, is the break even

*For a discussion of packaging see page 32.

point.** To achieve overall business profitability, a break even analysis should be done for every product or merchandise item sold and for every service job.

Once the break even point is calculated, a profit margin can be added to arrive at the final selling price. Deciding on the best profit margin is where pricing becomes part of the marketing strategy. The following factors will influence pricing decisions.

SALES VOLUME AND PRICE SENSITIVITY

The most profitable price is not necessarily the lowest one, or the one which produces the highest sales volume. The sensitivity of your target market customers to changes in price is important. In some markets a change in price can cause a big change in sales volume. In other markets, price changes have very little effect on volume. It will depend on what you are selling but some idea of the price sensitivity of your target markets is helpful. Be careful of dropping prices in hopes of increasing sales. Some businesses will require massive increases in volume to compensate for reduced prices. Underpricing may result in no profits, or damage to your business image. Overpricing may cause a loss of volume as customers go to your competitors. One solution is to determine the best combination of price and sales volume which produces the best profits. Example:

Selling Price:	$6	$5	$4.50
Sales Volume In Units:	5,000	15,000	18,000
Gross Revenue:	$30,000	$75,000	$81,000
Total Cost ($4 per unit):	$20,000	$60,000	$72,000
Profit	$10,000	$15,000	$ 9,000

In this example, the most profitable selling price is $5 per unit.

DISCOUNTS

Depending on your marketing objectives, discounts may be a necessary part of your pricing strategy.

Retailers

Special price reduction may be needed to move poor selling merchandise, to match competitors' prices, or to promote new merchandise. Low prices on "loss leaders"* can be used to attract customers to your store.

Manufacturers

Discounts to distribution channels (brokers, wholesalers, retailers) may be needed to get your products distributed to your markets. Volume discounts, advertising subsidies, freight allowances, and other types of discounts should be accounted for in pricing.

**Break even price, and pricing in general, has different meanings for each of the three business types. See the other publications in this series dealing with retail, service and manufacturing.

*Loss leaders are merchandise items sold at a low price to get customers to the store, see the glossary of terms on page 59.

Services

Discounts on first-time service can be offered to attract new customers. Volume discounts on long-term contracts can be used to build up a steady clientele.

New Business

New products, services, or stores often require lower prices just to enter the market. Prices can be raised after initial customer awareness has been achieved.

BUSINESS IMAGE

The image of your product, service or store merchandise is affected by the prices you charge. Different prices will say different things about your business to different target market customers. Image can have an effect on sales volume. For example:

- A luxury, good or service, if underpriced, may not attract customers. Sometimes people are willing to pay more, to ensure they are getting the best.
- If you have a "bargain", "low-cost" or "no-frills" image, your pricing should be consistent with that image.
- For service businesses, accurate estimates can help build a solid business image. Estimates show both you and the customer that your pricing is on target.

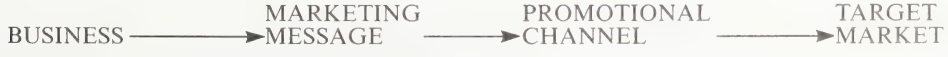
Pricing that appeals to the different target markets you are aiming at should fit in with your overall business image. Pricing should also be strongly coordinated with other parts of the marketing plan especially advertising and promotion.

COMMUNICATION — LETTING PEOPLE KNOW THAT YOU'RE THERE

To many people, communication is the heart of marketing; letting your customers know what you are selling and persuading them that yours is the best product, service or store for their needs.

A) General

B) In Marketing

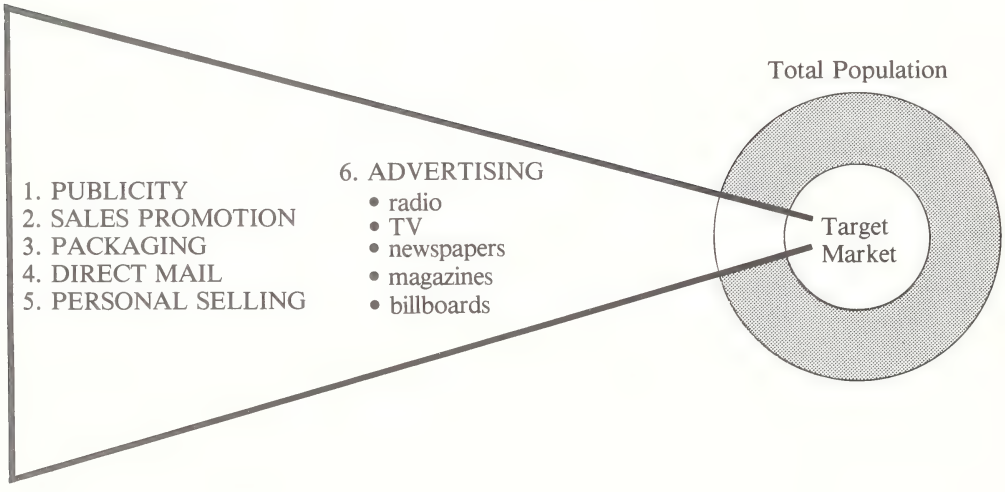


In marketing, communication means getting the right message to the right people at the least cost. Marketing communication can be divided into six basic types, or channels. They all have one thing in common: They let you reach your target markets with your sales message. Most businesses will use a combination of communication channels in their marketing program. This combination of channels, and the amount each one is used, is called the promotional mix. The communication channels are:

- Advertising: Paid messages using different advertising media such as newspapers, magazines, radio, TV, billboards, posters.

- Direct Mail: Brochures or letters sent to potential customers through the mail.
- Packaging: Containers such as boxes, wrapping, see-through plastic packages, tins, bags and cartons used to deliver or display products. In the service business, packaging can mean how you present your service.
- Publicity: Non-paid messages in the different news media such as newspapers, magazines, radio and TV. News stories and announcements which mention your product or business, plus the exposure a business gets through community involvement.
- Sales Promotion: Includes all types of special promotions such as giveaways (matches, pens, T-shirts), free samples, coupons, contests, and point-of-purchase displays designed to help your sales efforts.
- Personal Selling: Direct one-on-one selling to customers by your sales representatives in the store, over the phone, or at customers' homes or businesses.

The Promotional Mix



Deciding on the promotional mix is a very important part of the marketing plan. The following general guidelines will help you to decide how much of your marketing budget and your time should be invested in each channel. The final decision will depend on what you are selling and the nature of your target market customers.

TARGET MARKETS

Which channels will reach the most potential customers at the least cost? Market research information will help you to define your target markets. Now this same information can be used to decide which communication channels are best for your business. The following chart will illustrate the relative importance of each channel.

If your target markets are mostly individual consumers, then advertising will be the most important channel, because you have to reach many people. If your target markets are businesses (especially if you manufacture or sell industrial products) then personal selling will be most important. You have fewer people to reach but direct one-on-one contact will be needed.

	INDUSTRIAL/BUSINESS PRODUCTS AND SERVICES		CONSUMER PRODUCTS AND SERVICES	
	relative value (%)		relative value (%)	purpose
PERSONAL SELLING	50	direct sales to customer	15	sales to distributors
		sales to distributors		direct sales to customers, usually in-store
ADVERTISING	10	product awareness	50	product and store awareness
		sales support		create desire to buy
PACKAGING	15	product identity and image	10	store and product identity and image
		physical distribution requirements		
PUBLICITY	10	product awareness and image	10	product or store awareness and image
SALES PROMOTION	15	sales support	15	sales support
		incentives to buy		incentives to buy
	100		100	

SIZE OF MARKETS

Regardless of the type of product or service, the size of your market will determine which channels should be used. If your markets are small, well-defined groups, then specialized communication channels can be used. Specialized channels will reach only a small part of the population, but if that small part is your target market, that's all you need. For example, the Edmonton safety clothing manufacturer wants to reach only those people who work in the oil and gas industry. He will advertise only in the five or six oil industry magazines distributed in Alberta. Only a small percentage of the total population reads them but that percentage is his target market. The specialized channels include special interest publications, direct mail and personal selling.

If your markets include a large part of the population, or if they cannot be defined very precisely, then mass audience communications channels will serve you better. For example, the owner of a car wash chain wants to increase his company's share of the market. His target markets will be anyone who has a car: a very large group of people. He will advertise in mass audience channels to reach the greatest number of potential customers. He

selects radio and billboards, as people are most likely to be exposed to these channels while driving their cars. Mass audience channels include:

- radio and TV; although different stations and different programs attract different types of people (market segments). These are mass audience channels because such a large percentage of the population listens to radio or watches TV
- billboards and posters
- some magazines (general interest, news, and sports magazine).

LOCATION OF MARKETS

If your target markets all live or work in one community, then only the local channels which serve that town need be used. Local channels will include radio, newspapers, direct mail and local TV stations. If your target markets are in several towns, the local channels can still be used.

If your markets live all over the province, or even outside the province, use channels which reach a larger geographical area. These channels are:

- national or regional TV networks
- large radio stations
- magazines and some newspapers which are distributed and read in all parts of the province
- direct mail will reach any location which has mail service

Knowing where your target markets are and selecting the best channels to reach them can save money.

MARKET SEGMENTS

As well as size and location, there may be other features of the markets which will allow you to segment or divide them up into smaller groups. The goal is to match the right market segment with the best channel to reach that segment. Success in reaching the target markets depends on how well you can define the features of each segment, and on which channels are available. For example,

- The Lethbridge convenience store has decided to concentrate on the Italian and student markets. The owner will feature deli-type food and other items preferred by these two groups. To reach them, the owner will advertise in specialized media such as a local radio station's Italian language program, and in the university's student newspaper.
- A company which services specialized engineering equipment will have a small, well-defined target market — those engineering firms who use such equipment. This market segment would be reached at the least cost by personal selling, direct mail, or advertising in engineering journals.

TIMING

While knowledge of target markets is important, other factors will also determine your promotional mix. Timing is one of them. Many advertising channels will require the purchase of space or air time well in advance of actual publication or airing dates. This will often determine which channels can be used. For example, to advertise in a monthly magazine, you will usually be required to buy space 45 days before the publication date. In addition, you will be required to send in the finished advertisement to the magazine 30 days prior to publication. Once an agreement is made to run an advertisement you are under obligation to pay for it.

Knowledge of the timing and production requirements of different media is especially important if your marketing plan needs to be flexible.

Advertising must often be placed quickly, to announce sales and price changes. A well-timed ad will usually get a better response from customers. For example, ads announcing a new product or service should appear before your salesmen go out to make thier calls. Similarly, announcement of a sales event should run just before and during the sale.

If a lot of advertising is done, buying and timing can become complicated. Professional advice from an agency, on planning and buying advertising, can often save money and increase advertising effectiveness.

NEW BUSINESSES

In marketing something new, the first objective is to get people's attention, so that they realize that you're in business. Advertising is usually the best way to accomplish this objective. Once people are aware of you, selling them your products and services will be much easier.

COORDINATION

If you are using several channels, the messages you send should be consistent. The total effect of a coordinated promotional mix, using the same message, will be greater than an uncoordinated effort. For example, if you advertise in newspapers and on radio, using the same slogan will create a better total effect. People will remember your newspaper ad when they hear your radio ad and vice versa.

To reach your markets at the least cost, knowledge of the pros and cons of each channel is helpful.

DIFFERENT CHANNELS OF COMMUNICATION — PROS AND CONS

ADVERTISING

There are many ways to judge advertising, but the most important one is results — does it make people buy your product? This can only be measured by sales, which often does not happen

until after the advertisement is long gone*. It is helpful to have a way to evaluate advertising before it is used. The objectives of any advertisement are as follows:

ATTENTION ⟶ INTEREST ⟶ DESIRE ⟶ ACTION

This is the formula for evaluating advertising. All advertisements should:

- get the customer's ATTENTION
- INTEREST the customer in your store, product or service
- create a DESIRE to buy
- get the customer to take ACTION.

The A.I.D.A. formula can be applied to all types of advertising.

The following checklist is also a good guideline for print advertising (newspaper, magazine, billboard, mailers). Many of these principles also apply to other types of advertising.

PRINT ADVERTISING CHECKLIST

1. **Is It Simple and Clear?**
   Is your message easily understood? Crowded ads, or ads with too much information, will not be effective.
2. **Is There A Big Headline?**
   A good headline is very important to the success of an advertisement. In print advertising, your headline is 80% of the ad. 80% of the readers read no further than the headline.
3. **Is It Relevant?**
   Does your advertising describe your product, service, or store?
4. **Is It Different From Your Competition?**
   Is the advertising fresh and original or is it merely a pale carbon copy of your competitors' advertising?
5. **Does It Demonstrate Customer Benefits?**
   Nothing works harder or sells better than an ad which shows customer benefit.
6. **Can You Be Found?**
   Does the ad prominently mention your business name, address and phone number?

Depending on the advertising channel used, technical production factors will influence advertising effectiveness. Knowledge of technical requirements can be valuable to the advertiser. For example highly detailed illustrations or photographs sometimes do not reproduce well in newspapers.

*See also page 36 — Measuring Promotional Effectiveness.

THE ADVERTISING CHANNELS — A COMPARSION

CHANNEL	THE MARKET IT SERVES	TYPE OF AUDIENCE	WHICH BUSINESSES IT SERVES BEST	PRO	CON
— daily newspaper	usually a single community	general, but usually more men, older, and more educated people	all retailers, some services	flexible timing, large audience	cannot pinpoint small specialized markets
— weekly newspaper	single communities, usually smaller ones	general	retailers and services whose market is within the community	good local coverage	small audience, small area
— magazines	varies: from single large centres to nationwide; or special interest groups	varies: from large general audience to small specialized groups — usually higher-income people	businesses with well-defined target markets such as restaurants, entertainment, speciality shops	good for special interest groups	can have limited audience, inflexible timing
— radio	size of area depends on size of station — usually one community and surrounding area	different groups, depending on the programs offered by each station	businesses whose target markets are similar to station audiences: e.g. commuters, teens, housewives	good for pinpointing target markets, can reach a lot of people	must be used a lot, and timed properly, to get best results
— TV	size of area depends on size of station or network — like radio	varies with time of day, and type of program, but generally more younger people	products and services with wide appeal — not specialized businesses	most persuasive, best mass-audience and large market coverage	expensive; complicated production factors
— billboards	several communities, one community, or parts of a community	general, but especially auto drivers and passengers	entertainment; tourist attractions, brand names, well-known businesses	highly visible, seen by most people	expensive, message must be kept short
— transit posters	communities having public transport	transit passengers (interior posters), pedestrians and drivers (exterior posters)	businesses near transit routes and terminals; most consumer market businesses	repeated exposure, captive audience	somewhat limited audience and markets

DIRECT MAIL

Direct mail allows you to pinpoint exactly who will receive your message. This is because an address is needed for everyone you are sending to. The big challenge in direct mail is to find names and addresses of your target markets, so the mail out can be kept as small as possible. Direct mail can be very expensive so an accurate mailing list is very important. Direct mail is usually used for the following purposes:

- to announce a new product, service or store
- to remind old customers that you're still there
- to sell your product directly to customers (mail order).

The direct mail procedure is as follows:

The Mailing List

The target markets must be well-defined, so that you can find their names and addresses. Names and addresses can be obtained from several sources some of which are available at a price, others require your own time and effort:

- commercial direct mailing companies
- directories (Yellow Pages, Better Business Bureau, Chamber of Commerce, industry directories)
- Associations and their membership lists
- lists developed by other businesses
- your own sources: previous customers, sales contacts, suppliers.

The Mailing Piece

You can send a letter, a brochure, a return coupon, or a free sample to your target markets — or a combination of these. As in advertising, the Attention — Interest — Desire — Action formula will apply to your mailer.

You can design the mailer yourself, or have an artist, direct mail company, or printer do it. The cost of the direct mail piece will, of course, increase.

The Mail Out

This includes all the actions necessary to get your mailing piece into the mail, such as printing, stuffing and addressing.

The Follow Up

The success of direct mail often depends on the follow up action:

- telephone calls to set up a sales appointment
- salesman can call directly on the customer
- coupon returns can be answered by phone or personal sales call. Having the return coupons postage prepaid will increase your return.
- a second follow up mail out can be done to ask for an order or provide more information

Direct mail allows you to send your message right to the homes and businesses of your customers. A successful direct mail campaign depends on knowing your target markets, having an appealing message and good timing.

Mail drops can also be done through the postal service. You can send your mailing piece to:

- all residences in a community
- all businesses in a community
- all businesses or residences in selected areas

SALES PROMOTION

Sales promotion is a general term for a large variety of promotional methods such as:

- prizes (given when a purchase is made)
- giveaways (regardless of purchase): matches, calendars, pens, etc.
- special price offers and rebates
- free samples
- coupons
- contests
- special events (celebrity visits, fashion shows, special sales events)
- demonstrations, exhibitions, trade shows

The main purposes of a sales promotion are:

- Quick response — Sales promotions can get customers to make an impulse purchase while at your store.
- Reminders — Sales promotions (especially giveaways) can help keep your business name in the customers' consciousness.
- Demonstration — Showing people how your product or service works can increase purchases.

The following types of sales promotions are generally most suited to the three business types.

Retail:	in store displays, point-of-purchase displays, special sales events, contests, special short-term price offers, demonstrations
Manufacturers:	contests, coupons, free samples, demonstrations, displays at trade shows and exhibitions
Service:	demonstrations, free introductory offers, giveaways.

If your competitors are large well established companies, it is usually not wise to use the same sales promotions as they do. Creativity and unusual promotional ideas work best for the smaller company. Some sales promotions, such as contests and special price offers are effective only over short periods of time. Consumer tastes change very rapidly in response to these promotional methods. For maximum effect, sales promotions should be coordinated with other elements of your promotional mix.

PUBLICITY

Publicity is any mention of your business in news stories done by the news media. Positive news coverage of your business is good because it is free, it will reach a large part of the population and it often has more believability than paid advertising.

Publicity should be looked at as an extra or a bonus. It should not be looked at as your primary communications channel, because it is unreliable. There is no guarantee that your business will be mentioned in the news — there has to be some news value before the news people will be interested.

Potential news stories involving your business could include:

- announcement of a new product, service or store
- successes and achievements of employees (for example in sports, or in community service)
- store or factory openings and expansions
- something your business is doing that has never been done before in the community or province.

Getting your story to the news people can be done by telephone, or by writing a news release. Contact the editor of your local paper, or the news director of a radio or TV station, if you think you have a newsworthy story. Having your name in the news, in a positive way, gives customers a good image* of your business.

Community involvement can also accomplish many publicity objectives. People will be more aware of your business if you participate in community life through:

- sponsorship of sports teams
- service club membership
- contributions to special community events
- charities and public service.

Besides being a good thing in itself, community involvement is also good for your business image.

*Also see the section on "Business Image" page 23.

PACKAGING

Packaging is part of the promotional mix, because the way in which a product is presented to customers will influence their buying decisions. This is true for all three business types. The form which packaging takes, and its relative importance in the promotional mix, will be different for each business type.

Retailers

Customers will usually be more aware of a store which uses custom packaging, rather than plain, standard packaging. Having your logo, name, or special colors printed on packaging materials such as boxes, bags, wrapping, and specialized containers will increase customer awareness of your store. Packaging objectives for retailers are; awareness, identity, image and ensuring undamaged delivery of merchandise.

Services

Services can be packaged, the same way products are. Packaging in this sense means how your service is presented to the customer by service representatives (appearance, uniforms, friendliness); through service reports, estimates and invoices and through storefront or office location and appearance. The packaging objective of service businesses should be to present a professional, positive image to the customer.

Manufacturers

Packaging is most important to manufacturing businesses. The impact of packaging can often be as great as that of advertising. Packaging has promotional objectives such as product identity, and getting the customer's attention. It also has the functional objectives of ease of handling and protection and storage.

However, packaging decisions should be integrated, so that both promotional and functional objectives are accomplished together. Packaging design should be based on the physical distribution methods used for each product. Your packaging decision will depend on who must handle the product (wholesalers, retailers) before it gets to the final customer and who the final customer is and what that customer's tastes and preferences are.

Packaging must take into account whom the product is for, where the product is going, and who must deal with it enroute. Here is an example of a business which did not consider all the factors before making a proper decision. A Medicine Hat soft drink manufacturer decided to try a new packaging method; larger boldly designed cans which had proven to be very popular in the United States. His traditional channels who distribute to vending machine companies would not accept this larger size can because it would not fit into the vending machines. Therefore, the manufacturer was forced to find a new distribution channel. Fortunately, the manufacturer was able to sell the new larger can size by distributing them as multiple packs through retail outlets. This proved to be a popular item with the final customer. By changing the size, shape, color and/or texture of your packaging, new markets can often be found for an existing product.

PERSONAL SELLING

Direct one-on-one selling to potential customers is a major part of the promotional mix for most types of businesses. Unlike other channels, the salesman can adapt the message to the needs, preferences, and situations of each individual target market customer. Advantages of personal selling include:

- flexibility
- immediate response from customers
- salesmen can be used as market researchers and information gatherers.

The limitation of personal selling is that only a small group of people can be reached. The size of your target market will determine how important personal selling is to your business. Personal selling will be a big part of the promotional mix for products or services with business/industrial markets because there will be a relatively small number of customers. Personal selling will be less important for mass market products and services.

To use your salespeople most effectively, they must be trained. The following areas must be considered when developing a sales training program:

- Introduction: include a review of your company's history and organization
- Product: give enough product knowledge to make an effective sales presentation
- Customers: knowledge of individual customers, their needs and preferences, makes for better sales presentation
- Competitors: provide information on competitors' strengths and weaknesses.

Sales reps should be asked to gather market research data, including information about customers and competitors. Have a system for recording this information. Client contact reports should be completed after every call.

In retailing, personal selling is restricted to inside your store. Retail salespeople should have a general idea of the target market group's tastes and requirements. The retail sales approach should be geared to assessing each customer, and then showing how the store can meet his or her needs.

Several guidelines apply to personal selling, regardless of where it takes place. Sales personnel should be aware of the importance of:

- appearance
- approaching the customer properly
- speaking manner, delivery
- product/service presentation
- adapting the sales presentation to meet the needs and preferences of each target market customer
- closing the sale.

Preparation, planning and coordination with the overall promotional mix will also help increase personal selling effectiveness. Support from advertising and direct mail can make the salesperson's job much easier. When customers are already aware of your product, service or store through other promotional channels, personal selling results are usually greater.

LAYOUT, DECOR, PRESENTATION, DISPLAY, SIGNAGE

All of these things are important parts of your business image. Creating the right image for your target market customers will make them feel comfortable and welcome. Customers will see your store as the best one for their needs.

The right image is achieved by a combination of layout, presentation, display, decor and signage. Each of these has its own separate functions, in addition to its business image value.

Layout

Store layout requires a definite plan by which equipment, fixtures, merchandise, displays, selling areas, and other parts of your store interior are arranged. Layout should achieve the following results:

- let customers find merchandise as quickly and as easily as possible
- guide customers to specific merchandise in the store
- provide the right store atmosphere and image

Layout can control customer traffic flow. A good store layout will allow you to direct customers past selected merchandise, while on their way to other parts of the store. This increases sales potential. Other factors to consider in store layout:

- The amount of space given to each type of merchandise, and where in the store it is located, will depend on the demand for that product. Often a dependable seller will sell the same no matter where it is put. Prime space can be used most effectively for new or weaker selling merchandise.
- Impulse type merchandise, items the customer had no intention of buying when entering the store, should be placed in high traffic locations at the ends of aisles, or near cashiers. They can also be mixed in with high demand items.
- Layout and traffic flow are more important in self-service stores.
- Space should be set aside for seasonal merchandise. This space should be restocked regularly, as soon as the season is over (example: Christmas merchandise).
- The perimeter (outside aisles) of a store receive about twice as much traffic as the central area.

Layout should work hand-in-hand with decor, display, and presentation to create the most purchasing opportunities.

Decor

All furnishings, fittings, wall coverings and other decor elements should match your customers' taste and preferences. Decor should also fit in with your overall store image. Layout and decor are closely related. Layout decisions may determine decoration possibilities, and vice versa. A pleasant and appealing store atmosphere, created in part by good layout and decor, is a persuasive part of the promotional mix.

Display and Presentation

Merchandise presentation and displays should attract the customers' interest, and get them to examine the merchandise more closely. Presentation is the physical arrangement of

merchandise within your store. Display is the extra visual appeal given to selected merchandise, using special locations and/or display methods.

Display Guidelines

- Use a central theme or idea
- Keep windows and merchandise clean
- Change the display regularly
- Have the display relate to local community events, or to special times of the year
- Display should reflect the character of your store and what you are selling
- Displays should appeal to the tastes of your target markets
- Display merchandise should be available for sale
- Window displays should get people into the store
- Inside displays should direct customers to selected merchandise.

Signage

A sign style should be chosen on the basis of durability and suitability to your business image. Exterior signs, like the window display, should attract customers and get them into the store. The exterior sign should be highly visible so customers can identify your business quickly. Interior signs should direct customers to different departments or merchandise within the store.

Layout, decor, presentation, display, windows and signs are major factors in your business image. They should all work together, to create a total effect. For example, a ski equipment store in Banff has been designed to look like an Alpine Ski Chalet. Interior and exterior furnishings are done in the same ski chalet style, using knotted pine. Interior layout also resembles a chalet, with staircases, wooden railings, and a loft, all contributing to this effect. The store sign is done in gothic type lettering, suggesting a European alpine skiing image. Skis are presented on wall racks for easy handling and visual attractiveness. The store's salespeople are also part of the image; they dress in ski type clothing.

SELECTING THE PROMOTIONAL MIX

To decide which promotional mix will serve your business best, the following questions should be answered:

1. Which channels will reach the target markets most effectively and at the least cost?
2. How much of the marketing budget can be assigned to each channel, and is this amount enough to achieve results?
3. What special features of the business will influence the effectiveness of the promotional mix? Should specialized or mass audience channels be used? Should promotions be concentrated at certain times of the day, month or year?
4. What messages should be sent to the target markets? What should be said to set me apart from the competition?

To select promotional channels that are best for your business, some measuring method is needed. The measuring method should tell you how many people in the target market each channel can reach, for example:

- Advertising: Newspapers, magazines, radio, TV, and billboard companies can tell how many and what types of people, their product reaches. This information can be obtained from the media, or by consulting media directories such as Canadian Advertising Rates and Data, available at most libraries.
- Direct Mail: The number of people reached is measured by the number of names and addresses on the mailing list.
- Sales Promotion: Depending on the actual sales promotion used, a measurement can be made. For example, if giveaways such as matches, pens or calendars are used, count the number of items distributed. If using point of purchase displays count the number of people who buy from each store display.
- Publicity: The number of people who read, watch or listen to the news coverage your business receives.
- Personal Selling: The number of sales calls made, and the number of customers seen by each salesman.

The measurement method should also tell the cost of using each channel. By comparing the cost with the number of customers reached, the effectiveness of each channel can be evaluated.

One simple way to do this is the cost per thousand method (C.P.M.).

This method is especially useful for comparing advertising media but can also be used to get a general idea of the effectiveness of all channels.

Cost per thousand tells how much it will cost to get a message to one thousand people. The formula is:

$$\frac{\text{cost of sending message}}{\text{number of people reached (audience or circulation)}} \times 1{,}000 = \text{cost per thousand}$$

For example:

If a daily newspaper's circulation is 30,000 and a ½ page ad costs $500., then the C.P.M. will be:

$$\frac{\$500.}{30{,}000} \times 1{,}000 = \$16.67 \text{ per thousand readers}$$

If a specialized magazine like the Quarter Horse Journal has a circulation of 1,000 and a ½ page ad costs $40., then the C.P.M. will be:

$$\frac{\$40.}{1{,}000} \times 1{,}000 = \$40 \text{ per thousand readers}$$

The second publication has a higher cost per thousand. However, if you are selling animal feedstocks, the Quarter Horse Journal may be a much better channel to reach your target markets than the daily newspaper, regardless of the magazine's higher C.P.M. C.P.M. can be used as a guideline, to compare the relative cost of different advertising media. However it is not an absolute test. Other things to consider as well as cost are:

- location of target markets
- size of target markets
- type of people in target markets
- results achieved

Some channels will be more intensive; they allow you to pinpoint the target markets and persuade people directly. This factor should be recognized when evaluating the effectiveness of the different channels. For example, personal selling lets you talk to the customer in person, and therefore is more intensive than any other channel.

Comparing results, for example, the number of sales achieved through each channel would be a better way to evaluate effectiveness. Unfortunately this cannot be done until after the fact. Cost per thousand is one way to evaluate the suitability of the various promotional channels to your business before they are used. To evaluate the results of the promotional mix after or during its use, see the section on "Measuring Promotional Effectiveness."

Your promotional mix decision should be based on past experience plus measurement methods like C.P.M. which will let you estimate the value of different communication channels before you use them.

BUSINESS IMAGE

Your image is what people think about your product, service or store. Therefore, everything you do affects your business image. One of the major goals in marketing should be to evaluate your image and change it if necessary. If you're starting a new business, or introducing a new product or service, image planning should be part of business planning. Your image should be positive, it should make people want to buy from your business. All customers will be influenced by your business image whether they are deciding to try your business in the first place, or making that final buying decision.

The total of all the following factors add up to your business image. What does each one say about your business?

- Communication: advertising, sales promotions, and the publicity you get in the news media
- Your staff: appearance and attitude of your sales and service representatives
- Your store or office: layout, display, location, signs, entrance, parking facilities
- Telephone contact: attitude and tone of voice of the people who answer your phones
- Pricing: how does it compare with competitors, and does it fit with your business image?
- Packaging of your products
- Stationery, invoices, envelopes, business cards, logos: do they fit your marketing plan?
- Credit policy
- Service and delivery

HOW MUCH SHOULD BE SPENT ON MARKETING

A positive image is built up gradually. A negative image can develop very quickly. Therefore it is important to evaluate your overall business image regularly.

Your budget decision will be based on:

- resources
- size of business
- type of business
- target markets
- marketing and business goals and objectives
- financial condition.

Many Alberta businesses use the following methods to decide on their marketing budget.

1. Percent of Sales

The marketing budget is based on a percentage of past or projected sales. The exact percentage will vary from business to business. In retailing for example, most stores spend between 1% and 7% of total sales, on advertising alone.

- Advantages: This method is simple, and is based on business revenue.
- Disadvantages: Sales are the result of good marketing. Good marketing calls for setting goals and objectives first and then achieving them. Sales are only one of many marketing objectives.

2. Competition and Industry Averages

Your marketing budget is based on what your competition is spending. Sometimes the only way to find out how much they're spending is to use industry averages. Industry averages are obtained from market research companies, trade associations, and media organizations, and are usually expressed as a percentage of total sales.

- Advantages: It's a good defensive budgeting method, it meets your competitors' efforts. It recognizes the importance of what your competition is doing.
- Disadvantages: This method does not take into account any differences in target markets. More marketing dollars may be required to reach some target markets than others.

  Industry averages usually only compare advertising budgets, not marketing budgets. Also, comparing percentages instead of dollar figures gives a different impression of what competitors are doing. Therefore these types of comparisons can be misleading. For example, two Alberta food product companies both spend about $5,000 a year on advertising. This is 2% of the first company's budget — and 10% of the second company's budget. The first company's sales were $250,000, the second company's sales were $50,000.

3. Goals and Objectives

The budget is based on estimates of how much money is needed to achieve marketing goals and objectives.

- Advantages: This method recognizes the importance of coordinated market planning. It also recognizes that marketing expenditures are an investment. They may not have immediate sales results, but are necessary for long-term business survival.

If you know what you want to do, then decide how much money is needed to do it.

- Disadvantages: This method can be difficult because estimates are hard to get, and are often inaccurate.

  Enough funds may not be available to meet all the marketing objectives. Ranking objectives in order of importance, and dividing the budget on this basis, can help overcome this problem.

Budgets should be part of a total planning approach, using the best combination of budgeting methods.

EVALUATION — MEASURING MARKETING RESULTS

Evaluation of results is an important part of business. Evaluation lets you know if you're on the right track.

Marketing results are usually measured by sales. Most businesses feel that if sales are up, their marketing is doing the job. Sales are a good indicator of marketing results, but they are not the only indicator. For example there is often a time lag between marketing action and sales results. You can never be sure which parts of your marketing program are helping sales and which are not. Also, increased sales are only one of several marketing objectives. Others, such as image improvement, will increase sales only indirectly and over a longer period of time.

Other useful indicators of marketing effectiveness can be used in addition to sales results. These are:

1. Cost Per Sale

How much is it costing you to make sales? By dividing your marketing expenditures (including salesmen's salaries) by the number of sales you've made, you will get an average cost per sale.

$$\frac{\text{marketing costs}}{\text{sales (in units)}} = \text{average cost per sale}$$

Looking at how this average goes up or down over a period of time is a good indicator of marketing effectiveness.

2. Testing

If you want to test one element in your marketing mix, this type of procedure can be used:

- select two time periods of equal length (two consecutive months, for example)
- keep all other parts of your promotional mix the same
- in the first time period, don't use the part to be tested (a new ad for example, or a new store display)
- check your sales
- in the second time period, include the test element in your promotional mix
- check sales again.

The difference in sales for the two periods will indicate the effectiveness of the test element in your promotional mix.

3. Coding and Coupon Returns

Coupon returns can be coded to test the effectiveness of your promotional mix and to see which target markets are most responsive. Advertisements, direct mail and some sales promotions can be tested by including a return coupon. Coupon returns from

direct mail outs and sales promotions can tell you which people, areas, or business are your best sales prospects. Ads for different newspapers and magazines can be coded differently, to see which publications are reaching the most customers.

EDMONTON CUSTOM FURNITURE LTD.

Yes, I would like more information about your interior decoration and renovation service.

Name: _____

Address: _____

Telephone: _____

The furniture styles I prefer are:
(rank in order of preference, from 1 to 5)

☐ Modern ☐ Colonial ☐ High-Tech
☐ Traditional ☐ Other

CODE → A1

The return coupon example, for the Edmonton custom furniture business could be used for direct mail, or included as part of an advertisement.

Coupons have other uses besides measuring promotional effectiveness. In sales promotion, they can be used to stimulate interest in product, service, or store, by offering a special reduced price or free gift.

4. Built-In Market Research

Information can be obtained about your customers and about their response to your marketing efforts, through many of your day-to-day business operations.

This information is especially useful because it comes directly from your customers. A number of methods can be used to obtain information from your customers for example:

- Questionnaires can be mailed out with invoices and business announcements
- Market research questions can be asked on credit applications and other business forms
- Customers can be questioned in your store, when they make purchases
- Salesmen can question customers during sales calls

Market research information, combined with other evaluation methods, can be used to check on the effectiveness of your marketing program.

PUTTING IT ALL TOGETHER — A CASE STUDY

THE EDMONTON SAFETY CLOTHING MANUFACTURER

A. OBJECTIVES

This business has done market research to evaluate the potential of new target markets for their products. Based on that research, the owner has set these marketing objectives.

1) The company will market certain items in their product line to individual workers in the oil and gas industry. This group of people is target market #1. The owner sets a sales goal of $200,000 for the first year, based on market research estimates.
2) The company will also market selected items from their product line to oil and gas companies. Information from sales representatives indicates that medium-sized companies (50 to 200 employees) may be willing to purchase safety clothing for employee use. These companies are target market #2. A sales goal of $100,000 for the first year is set.
3) Questionnaire response indicates that workers have some difficulty getting replacement or specialized clothing while on the job site, especially sites near certain communities. The owner decides to open a retail work clothing store in one such community.

The Edmonton company now looks at the actions they can take to achieve these objectives.

B. STRATEGY — THE MARKETING PLAN

1. Target Market #1

- Product: The company will market only those items which were mentioned most often in response to his questionnaire. These items will be the cheaper clothing items, such as socks and gloves, which must be replaced most often.
- Distribution: The owner decides to use two channels to get his products to this target market; selected retailers in certain communities near energy projects and a wholesaler who distributes to bargain and budget type stores province-wide.
- Price: To begin with, prices will be set lower than competitors', to act as an incentive for consumers to buy these new products.
- Promotion: Products will be packaged in bulk for distribution purposes only. Fancy packaging is not consistent with the no frills nature of these products. The company decides to provide cardboard display units to retailers to help promote purchases. Products will be advertised in oil industry magazines and newspapers to reach this target market. The owner also decides to give a discount to retailers if they will advertise his products locally. A similar discount is given to the wholesaler, for the same purpose.

2. Target Market #2

- Product: The owner decides to offer his complete product line to companies but will only accept orders above a minimum quantity. He will emphasize the more expensive, quality items such as protective suits and arctic survival gear.
- Distribution: The company will deliver products directly from the factory to customer head offices or field operations.
- Price: Volume discounts will be offered. However, the owner decides not to offer lower base prices so that the quality image is maintained.
- Promotion: Packaging will be kept to a minimum, for shipment purposes only. Packaging for both target markets will display company logo and colors wherever possible.

  The same advertisements in oil industry magazines will reach both target markets. In addition, the company will use direct mail and personal selling to reach target companies. Advertising will create awareness for the products, while direct mail and sales calls will be more persuasive in getting orders.

3. Retail Store

- Location: After studying several communities, the energy projects associated with them and retail competitors present in each community, the owner decides to open a work clothing store in Rocky Mountain House. He selects a storefront on the main street near restaurants and hotels used by oil and gas workers.
- Products: The full product line will be offered plus some items not produced by the Edmonton company, so that all customer needs are met.
- Pricing: Merchandise will be offered at competitive prices. The profit margin can be adjusted to attract customers away from competitors, and to provide a reasonable return on investment.
- Promotion: Merchandise produced by the Edmonton company will be packaged to create customer awareness of the company and its products. All merchandise will be wrapped and packaged to create awareness of the store, using specially designed wrapping, bags and boxes.

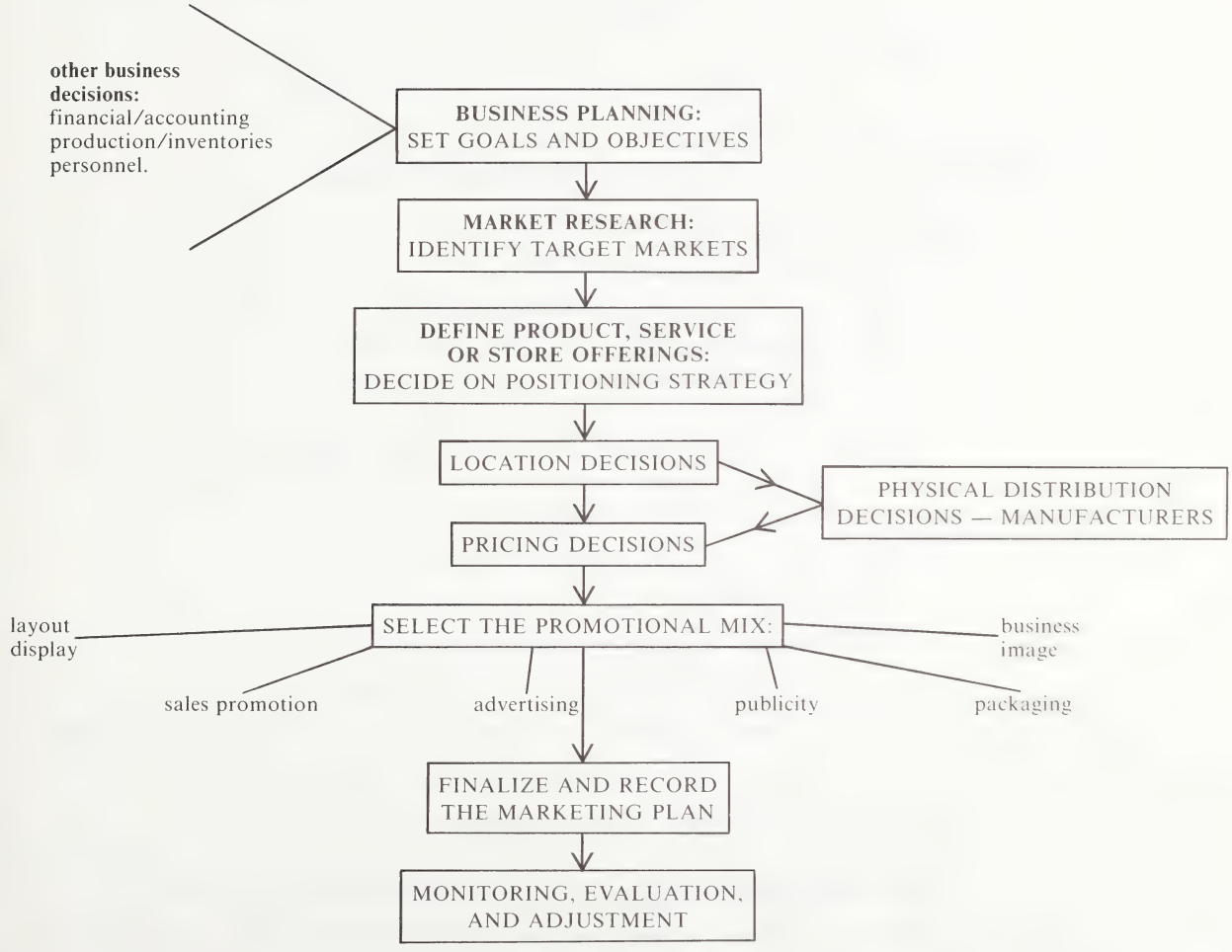
  The store will benefit from advertising in the oil industry magazines. Locally, the store will also be advertised in the town's newspaper and on radio. Brochures advertising the store and company products are displayed in selected restaurants and hotels throughout the area.

  The owner decides that the store should have a value image. The atmosphere should be pleasant and comfortable. The image will also reflect the company's loyalty and service to the energy industry. Store layout, decor and signs are then designed around this image.

C. SUMMARY

The Edmonton clothing manufacturer has now decided on all the elements in his marketing strategy. He will now specify the timing and budget for each element. The total marketing budget should be based on a percentage of sales estimates. The timing of all elements will be coordinated so that a maximum total result is achieved. The entire strategy, plus timing and budgets, can now be put together as a written marketing plan. Marketing results and problems can be evaluated and the plan adjusted accordingly. Unsuccessful strategies can be changed or abandoned, or new strategies can be introduced. The Edmonton company will use their marketing plan to reach their marketing objectives.

SUMMARY OF THE ELEMENTS OF A MARKETING PLAN



Chapter Four

Developing Your Own Marketing Plan — A Guideline

Your marketing plan should be designed by you because you know your business best. The next chapter gives a general framework for developing a marketing plan for your business. You'll have to make all the decisions. By following a framework based on the experiences of other successful businesses you will be able to make better decisions.

The guideline uses a question and answer format. The information needed to answer each question will come from knowledge of your business and customers, from your business records, and from market research. The appropriate information source is indicated for each question. The purpose of each question and how to use the answers in your marketing plan is also described. All the questions in this guideline will not apply to all businesses. In the case of new businesses many answers will have to be estimates. Most of the marketing concepts covered by the questions will be important to your situation. By answering those sections which apply to your business, a basic marketing plan can be developed.

MARKETING PLAN GUIDELINE

I. GENERAL INFORMATION

1. a) What business are you really in?
   b) What are the main products or services you offer?
   c) What do you do best?

   source: your own viewpoint.

   purpose: to define your business, to provide a basis for setting marketing objectives.

2. a) What business do your customers think you are in?
   b) What are they buying?
   c) What does your product or service really do for people?

   source: questionnaires, hearsay, business associates, asking people.

   purpose: to define and position your business, to set you apart from your competitors.

3. How many customers do you have?

   source: Sales records, customer traffic counts (for new businesses, use an estimate).

   purpose: To identify the size of your existing markets (for new business, potential markets).

4. a) How large is your potential market?

   b) How many people buy your type of services or products? In your community? In the province?

   source: Market research information

   purpose: To estimate your potential market and the total market for all businesses of your type.

5. What is your approximate share of the market?

   source: Compare your existing market (number of customers) with the size of the total market. New businesses will need to use estimates.

   purpose: To evaluate businesses health, to help set marketing objectives.

6. a) How many competitors do you have? In town? In the province?

   b) What strengths do competitors have that you don't?

   source: Yellow Pages, Industry and Business Directories, Government Statistics.

   purpose: To evaluate the number and type of competitors in your market.

7. What are your business resources?

   - number of stores, offices, or manufacturing plants
   - number of employees
   - number of salespeople
   - cash resources
   - marketing resources (ad agencies, in-house ad people)
   - other resources

   source: Business records.

   purpose: To set realistic marketing objectives, based on resources available to you. To help decide on a marketing budget.

8. a) How does your share of the market compare with your resources?

   b) Are you doing worse, the same or better than competitors of the same size?

   source: Knowledge of your competitors, estimates of their sales and customers, or more in-depth research into competitor performance.

   purpose: To decide whether you should compete head-on against competitors or whether you should reposition your business to minimize competition, and attract different customers.

9. a) How is your overall business health?
   b) Is your profitability good?
   c) What are your major business problems?

   source: Business records.

   purpose: To help determine marketing objectives. Should your marketing plan be geared to solving problems or to helping your business grow?

II. TARGET MARKETS

source: Your knowledge of your business and market research.

purpose: To help define your target markets. The answers to this section will enable you to determine which groups of people or businesses your marketing program and promotional mix should be aimed at.

1. Are your target markets consumers? or other businesses?

2. If they are other businesses:
   a) What do they produce or sell?
   b) Are they mostly large or small?
   c) How many different types of businesses do you sell to?
   d) What are the features of each type (size, location, stores, manufacturers, services or other special features)?

3. If they are customers:
   a) Approximately what % of your customers are in the following age groups?

   Under 12 _____ %

   12 - 20 _____ %

   20 - 30 _____ %

   30 - 45 _____ %

   45 - 65 _____ %

   65 & up _____ %

   Are there particular age groups who are important customers? What age groups will be your major target markets in the future?

   b) What % of your customers fall into these categories?

   wage earners _____ % students _____ % housewives _____ %

   children _____ % retired _____ % businessmen _____ %

   What other groups of people make up your target market population?

c) What % of customers are male _____% female _____%

d) What % of customers earn:

0 - $10,000 _____ % $20,000 - 30,000 _____ %

$10,000 - 20,000 _____ % $30,000 - 50,000 _____ %

$50,000 and over _____ %

e) What % of customers have an education level of:

under grade 10_____ % high school _____ % technical _____ %

post secondary_____ % University _____ %

4. a) Where do your customers live or where are their businesses located?

   b) What is your geographic trading area?

5. When do customers buy from you most often? daily? weekly? monthly? yearly? special times of the year?

6. Using this information, what are your most important target markets, and how large is each one?

7. What is the expected future size of your target customer groups? Is it growing or declining? Will different groups of people be more important to your business in the future?

8. What do economic indicators say about the future for your type of business? Should you plan to service the same target markets or should new markets be found?

9. How will your target markets change next year? in five years?

The answers to this section should give you a clear idea of who your target markets are now and who they will be in the future. Using this information the operational parts of your marketing plan can now be geared to each target market. You can set marketing goals and objectives based on the target markets you want to reach.

III. PRODUCT, STORE, OR SERVICE

source: Your records, and market research.

purpose: To decide which aspects of your business (products, services, or type of store) should be emphasized in your marketing plan. What will appeal best to your target markets?

1. What are the main products or services sold by your business? How do they appeal to specific target customer groups? What are the benefits to customers?

2. Which products or services are bought by each target market? What % of sales does each target market account for?

3. Should any products/services be phased out?

4. Should any products/services be added?

5. Are you doing the thing you do best? Are you selling those products or services which give you an advantage over your competition? How can you position your business to attract target market customers and reduce the impact of your competitors?

IV. PRICES

source: Your records and knowledge of your business.

purpose: To decide on the best pricing strategy for your products or services.

1. Do your prices cover all costs? Does your pricing method account for; overhead, salaries, promotional costs, cost of your time and all other costs of doing business?

2. Do your prices fit in well with the image of your product, service, or store?

3. Do you use temporary price promotions and reductions? If so, how effective are they? Should price promotion be emphasized in your promotional mix? How will this affect your image?

Pricing objectives can now be coordinated with overall marketing objectives.

V. LOCATION AND DISTRIBUTION

source: Depends on business type.

purpose: To ensure that your location and distribution method is suitable to your type of business.

A) Manufacturers:

1. Does your location give you the best access to:

   labor? suppliers? markets?

   Does your location allow you to produce and distribute your products at maximum efficiency?

2. What distribution channels do you see? What other options are there?

3. Is your distribution system coordinated with your marketing efforts? Do your promotions tell people where your products can be bought?

B) Retailers:

source: Traffic volume counts, observation, surveys.

1. Does your location give customers easy access to your store?

2. Are you in a high traffic location? Do many people drive or walk past your store? Do you depend more on location or advertising to attract customers?

3. Does your business fit in well with the surrounding area and surrounding businesses?

4. How important is your location in marketing your store? How can location problems be reduced or location advantages be exploited?

5. Are you in a high growth area?

   source: economic surveys.

6. Does your location have adequate services:

   power? sewers? roads? transit? parking?

C) Service:

1. Does your location give your customers quick and easy access?

2. Is your location well serviced:

   power? sewers? roads? transit? parking?

VI. BUSINESS IMAGE

purpose: To evaluate the marketing value of your business image. To decide what image is best for your business.

1. How do customers decide on your business? What makes them use your services or buy your products?

   source: surveys, questionnaires, your own knowledge.

2. What are the strengths that attract customers? The weaknesses that put others off? How is this measured?

   source: surveys.

3. What image do you feel you have in your community? What do existing and potential customers think about your business?

_____Quality	_____Sincere
_____Clean	_____Good Service
_____Reliable	_____Low Price
_____Good Selection	_____High Price
_____Personable	_____No Distinct Image
_____Convenience	_____Other (including negative factors, if any)

   source: surveys, questionnaires, your own knowledge.

4. What kind of image would you like? Among present customers? Among potential customers?

_____Professional	_____Good Service
_____Quality	_____Low Price
_____Clean	_____High Price
_____Reliable	_____No Distinct Image
_____Good Selection	_____Convenience
_____Personable	_____Community Involvement
_____Sincere	_____Other

   purpose: This answer will indicate what the image objectives of your marketing plan will be.

5. How can this image be achieved? Which factors will help to change your image?

_____advertising	_____changes to products or services
_____product packaging	_____personal selling
_____sales promotions	_____store appearance
_____product/service mix	_____employee appearance
_____other factors	_____publicity

source: Evaluation of promotional mix options.

purpose: This answer will indicate the strategy you should use to achieve image objectives.

VII. EXISTING PROMOTIONAL MIX

purpose: To evaluate your existing promotional mix. To determine how much each channel should be used in the future. To set a promotional mix that will reach your target markets most efficiently.

1. How do you best reach and inform your existing customers? Which promotional channels work best right now?

   source: business records, promotional evaluation methods.

2. How will you best reach your future customers? Which promotional channels will be most effective?

   source: market research, evaluation of available promotional channels.

3. a) Do your marketing efforts tell people about your strong selling points? How?

   source: evaluation of your promotional messages.

3. b) How are your marketing efforts in relation to your major competitors? How are you positioned in terms of your competitors?

   source: evaluation of competitors' marketing activities.

4. In the following months, approximately what percent of your marketing budget do you spend?

January	_____%	May	_____%	September	_____%
February	_____%	June	_____%	October	_____%
March	_____%	July	_____%	November	_____%
April	_____%	August	_____%	December	_____%

5. a) How much of your total marketing dollar do you use in the following promotional channels?

Newspaper	$_____	_____ %	Salesman Salaries	$_____	_____ %
Magazine	$_____	_____ %	Direct Mail	$_____	_____ %
Radio	$_____	_____ %	Signs	$_____	_____ %
TV	$_____	_____ %	Sales Promotion	$_____	_____ %
Billboards	$_____	_____ %			

5. b) How much of your total marketing dollar do you spend on the following?

Distribution and Packaging (Manufacturers)	$_____	_____ %
Layout, Display Packaging (Retailers)	$_____	_____ %
Storefront and Service Presentation, Uniforms	$_____	_____ %

6. Are your marketing efforts geared to each different target market? What message do you send to each target market?

source: evaluation of your promotional mix.

7. What kind of message will persuade the people you want to reach?

_____Quality _____Low price

_____Service _____Large selection

_____Other benefits _____Hard sell or soft sell

source: market research.

8. Why do you advertise? What are your objectives?

_____To develop image

_____To increase market share

_____To develop new customers

_____To increase frequency of customer visits

_____To introduce new uses for product and services

_____To introduce company salespeople

_____To level sales peaks and valleys

_____To sell ideas

_____Other

9. What are your objectives in using each of the channels in your promotional mix? Is your promotional mix well coordinated?

10. How do customers find out about your business?

Existing Customer Sales Distribution

(% of sales created by each channel)

Advertising	_____ % of total sales
Walk-In Trade (saw location)	_____ % of total sales
Personal Sales Call	_____ % of total sales
Direct Mail	_____ % of total sales
Know Your Product Line	_____ % of total sales
Sales Promotions	_____ % of total sales
Referrals	_____ % of total sales
Repeat Business	_____ % of total sales

source: your own records and market research.

This is what each marketing channel is achieving for you now. Compare these results with promotional expenditures in question 5. Remember that any one channel will influence the others to create a total promotional effect. For example, repeat customers may have been reminded about your business by advertising.

source: Your own records and market research.

purpose: This answer will indicate the relative efficiency of each channel in your existing promotional mix. Your promotional mix can now be evaluated.

VIII SUMMARY

The information obtained by answering the preceding questions can now be used to develop your marketing strategy. Taking a careful look at your answers, the following marketing decisions can be made:

- Which products, services, or store concepts should you emphasize in your marketing efforts?
- Who are your target markets? Which groups of people should you concentrate on selling to?
- Manufacturers: How should your products be distributed and packaged?
- How does your location affect marketing objectives?
- What pricing strategies should be used?
- Retailers: How can store layout and display contribute to marketing objectives?
- What overall image will be best for your business?
- How can your business be positioned so that competition is minimized and your business strengths are emphasized?
- How much should be spent on marketing?

Based on these decisions, your promotional strategy can now be planned:

- Which promotional channels should be used?
- Which channels will reach your target markets most effectively?
- What message should be sent to each target market?
- What messages will appeal to most customers?
- When should each channel be used? How should the promotional mix be timed?
- How can all the channels be coordinated with each other, to get the best total effect?
- How much of the marketing budget should be spent on each channel?
- Which methods should be used to evaluate the effectiveness of your promotional strategy?
- What options do you have, in case adjustment becomes necessary?

The marketing plan should be written down, showing how all the elements fit together. These elements will include sales targets and other objectives, deadlines, costs, timing, evaluations and measurement methods. The marketing plan can be recorded in many different ways. Having a written marketing plan is essential:

- it allows you to check on progress
- it reminds you of when important action must be taken and why
- it allows you to have better control over costs and time
- your staff can become more in tune with your business by using your written plan.

The marketing plan is an important business tool. Business success is based on meeting changing customer needs. A marketing plan can help you anticipate and adapt to those changes.

Appendix I —

Market Research Sources

1. Statistics Canada
2. Chamber of Commerce/Board of Trade
3. Libraries
4. Education Institutes: Examples
   Northern Alberta Institute of Technology
   University of Alberta
5. Media: Radio, TV and Newspapers
6. Associations
7. Large Companies
8. Commercial Market Research Companies
9. Government of Alberta:
   A. Alberta Treasury Bureau of Statistics
   B. Alberta Tourism and Small Business

1. Statistics Canada

215, Hys Centre
11010 - 101 Street
Edmonton, Alberta
T5H 4C5
Telephone: (403) 420-3027

Toll free access to Edmonton office can be reached by dialing 1-800-222-6400.

Statistics Canada has a Central Inquiries Service which deals with public inquiries. This group of specialists can help businesses use the variety of information available throughout the bureau and other sources of information in the federal and provincial governments and private organizations.

A full library of Statistics Canada publications are maintained at:

University of Calgary
2500 University Drive N.W.
Calgary, Alberta
T2N 1N4

Alberta Legislature Library
216 Legislature Building
Edmonton, Alberta
T5K 2B6

Edmonton Public Library
7 Sir Winston Churchill Square
Edmonton, Alberta
T5J 2V4

University of Alberta
D.E. Cameron Library
Edmonton, Alberta
T6G 2E1

Calgary Public Library
616 Macleod Trail S.E.
Calgary, Alberta
T2G 2M2

Alberta Treasury Bureau of Statistics
7th Floor, Haultain Building
9811 - 109 Street
Edmonton, Alberta
T5K 0C8

2. Chamber of Commerce or Board of Trade

Your local Chamber of Commerce or Board of Trade is a good source to use for background information. They are a business group, with a great deal of background and contacts with the business community. The Chamber of Commerce or Local Board of Trade can be contacted to supply information and guidance to smaller companies. They can also help you find other sources of market information.

3. Libraries — Public, University, or College

Libraries are excellent places to collect data. Because of the advancement in technology, storing capabilities have increased tremendously over the years. These are the main sources within large libraries:

A) Books
B) The Bibliography of Bibliographies
C) Periodicals
D) Government Documents and Other Studies
E) Newspaper Clippings/Microfilm
F) Directories

A) Books

Books can be used to familiarize yourself with the subject you want or research. Sometimes other sources, names, or titles related to the subject can also be found in books.

B) The Bibliography of Bibliographies

This source will tell you where all the available materials dealing with a specific subject are found within the library. Information on your subject may be within magazines, newspapers, etc. The Bibliography of Bibliographies is a central list of all these sources.

C) Periodicals

Magazines are an excellent source mainly because they are usually current and in-depth. They will provide a good background and overview of the subject. To find the appropriate periodical the different indexes are used. For example: The Business Periodical Index.

D) Government Documents and Other Studies

The Federal and Provincial governments will often publish their research reports, including economic studies of specific areas. Many are available through your local library.

E) Newspaper Clippings/Microfilm

Newspapers are a good source of information. Libraries will collect and categorize newspaper clippings. They are then recorded in files or onto microfilm. This information can be used as background, but further detailed study is usually required.

F) Directories

There are numerous directories available which list all types of organizations, their addresses, and important features. Directories are a good source of market data especially if your target markets are businesses. They can be used to develop mailing lists.

A large proportion of good market data, especially directories and studies, will be found in the Reference Section. Ask the librarian for assistance in finding specific publications.

4. Education Institutes

Example: Northern Alberta Institute of Technology (NAIT)
Marketing Management Department
T200, 11762 - 106 Street
Edmonton, Alberta T5G 2R1
Telephone: (403) 471-7644

Part of the marketing program at NAIT for the second year students is to complete a market research study. These are completed free of charge, except for direct costs like materials or computer time, for willing companies with a particular problem. The marketing department should be contacted before December 1, if companies require this service in the following year.

Example: University of Alberta
Management Advisory Institute
Room 222
Faculty of Business Building
Edmonton, Alberta T6G 2R6
Telephone: (403) 432-2225

This group does market research, surveys, and other research studies to assist Alberta businesses. Although they usually work with other consulting companies on specific projects, the institute is a good source of advice and information for small business. An associated program, called Small Business Interface, may be able to help you more directly. University business students will do consulting work for small business operators participating in the program.

Other education institutes offer marketing assistance to businesses. Also, copies of market research surveys and other useful studies can be found at university libraries. Contact the university, college, or technical institute in your area.

5. Media: Radio, TV and Newspapers

Media outlets usually have extensive demographics (population breakdowns) and market research data on hand, for communities they serve.

These sources can be used to define the population of your community. Population size, age, income and other characteristics will usually be given. Information from media outlets, regarding their market coverage, is also useful for planning your promotional mix.

6. Associations

Names, addresses and phone numbers of many associations can be found in the yellow pages of the phone book. Depending upon the subject you're researching, different associations can be

contacted. This information is very good because many associations have good access to trade and professional publications. For example, Joe Smith wishes to start his own roofing company within Edmonton. He is afraid of the unstable economy and also whether or not builders will contract him. He also needs information concerning the demand for repairing roofs of older homes. To get this information, Joe could phone either the Edmonton Construction Associations or the Housing and Urban Development Associations of Canada (HUDAC).

Directories of associations giving names and addresses can also be found in the Reference Section of most public libraries. The Edmonton Public Library, for example, has directories for all associations in Canada, classified by interest and function.

7. Large Companies

Because of the large projects undertaken each year, an abundance of data is gathered. Most of the larger companies record this information in their own libraries. If at all possible, try to obtain it from them. This will save both time and money. For example, real estate developers usually do market research when planning a project. Research will include data pertaining to a certain area within Alberta. This information will help the developer to choose the appropriate area in which to build. This is also helpful for the small business person when investigating the market situation.

8. Commercial Market Research Companies

These companies will supply some information free of charge. Companies which do commercial market research can be found in the yellow pages of the phone book under "Marketing Rearch and Analysis". They will do professional studies and surveys for a fee. Costs and quality of research will vary.

9. Government of Alberta

Several departments publish statistical data and research findings for public use. For example:

Alberta Treasury Bureau of Statistics, does original research and compilation of statistics.

7th Floor, Haultain Building
9811 - 109 Street
Edmonton, Alberta T5K 0C8
Telephone: 427-3058

Alberta Tourism and Small Business collects statistical information from other sources, and distributes this information to small businesses.

Appendix II —

Glossary of Terms

Broker: Anyone who brings about a transfer of goods (or services) between buyers and sellers, but who does not take title to those goods or service. A broker usually arranges all details of purchase, transportation, insurance, etc. for the buyer and seller.

CARD: Canadian Advertising Rates and Data — a media directory which gives advertising rates, production requirements, and other information on various Canadian advertising media.

Classified Advertising: In newspapers and some magazines, advertising which is grouped together in one or more sections of the publication and classified according to subject as opposed to display advertising.

Display Advertising: In newspapers and magazines, advertising which is displayed anywhere in the publication (not restricted to classified pages).

Goals and Objectives: Clear statements of what you want to accomplish. Goals are major ambitions, while objectives are the actions needed to achieve goals.

Image: The total of store atmosphere, business personality and reputation.

Insert: Advertising, usually flyers or brochures, which is inserted into magazines or newspapers. It is distributed with the publication but is not printed as part of the publication.

Institutional Advertising: Advertising which describes a company's image rather than its products, services or consumer benefits.

Jobbers: One of the distribution channels. Jobbers usually take orders from businesses along a certain transportation route, and tell manufacturers how much to deliver where. Jobbers are then responsible for credit, invoicing and other administration.

Loss Leader: Low profit, no profit, or below cost pricing of certain items to attract customers, so that total purchasing opportunities will be increased.

Media Plan: The selection, use and timing of advertising media. A sub-component of the promotional mix.

Medium: The way in which a message is sent. The means of transfer between sender and receiver. "Medium" usually refers to the technology involved (print, radio, TV, etc.) whereas "channel" is more general. The plural of medium is media.

National Advertising: Advertising of major well-known businesses or brand names on a national basis.

Physical Distribution: The methods (channels) used to get products from the factory to the final customer. These include brokers, wholesalers and retailers.

Slogan: A phrase, statement or headline used in advertising. Slogans are often used to tie different ads together, to create a unified, consistent effect. Slogans help increase consumer awareness and business identity.

Wholesaler: Someone who buys from manufacturers and re-sells to retailers. Wholesalers actually assume title and ownership of products, as opposed to other distribution channels.

Alberta Tourism and Small Business Offices

Contact any Alberta Tourism and Small Business Office for assistance.

HEAD OFFICE EDMONTON	10025 - Jasper Avenue Edmonton, Alberta T5J 3Z3 Telephone: 427-3685
CALGARY	5th Floor 999 - 8th Street S.W. Calgary, Alberta T2R 1J5 Telephone: 297-6284
CAMROSE	4909 - 48 Street Camrose, Alberta T4V 1L7 Telephone: 679-1235
EDSON	P.O. Box 2490 Provincial Building 4926 - 1 Avenue Edson, Alberta T0E 0P0 Telephone: 723-8229
GRANDE PRAIRIE	Room 1401 Provincial Building 10320 - 99 Street Grande Prairie, Alberta T8V 6J4 Telephone: 538-5230
LETHBRIDGE	Room 249 Provincial Building 200 - 5 Avenue S. Lethbridge, Alberta T1J 4C7 Telephone: 381-5414
MEDICINE HAT	Room 217 Provincial Building 770 - 6 Street S.W. Medicine Hat, Alberta T1A 4J6 Telephone: 529-3630
PEACE RIVER	Bag 900, Box 3 Room 101 Provincial Building 9621 - 96 Avenue Peace River, Alberta T0H 2X0 Telephone: 624-6113
RED DEER	3rd Floor Provincial Building 4920 - 51 Street Red Deer, Alberta T4N 6K8 Telephone: 340-5300
ST. PAUL	P.O. Box 1688 Room 409 Provincial Building 5025 - 49 Avenue St. Paul, Alberta T0A 3A0 Telephone: 645-6358

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